

103
DC DEPARTMENT OF PUBLIC AND ASSISTED
HOUSING AND OTHER TROUBLED HOUSING
AUTHORITIES

Y 4. B 22/1:103-138

DC Department of Public and Assiste...

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT
OF THE
COMMITTEE ON BANKING, FINANCE AND
URBAN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

MAY 10, 1994

Printed for the use of the Committee on Banking, Finance and Urban Affairs

Serial No. 103-138



SEP 14 1994

U.S. GOVERNMENT PRINTING OFFICE

78-868 CC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044728-3

103
DC DEPARTMENT OF PUBLIC AND ASSISTED
HOUSING AND OTHER TROUBLED HOUSING
AUTHORITIES

Y 4. B 22/1:103-138

DC Department of Public and Assiste...

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT
OF THE
COMMITTEE ON BANKING, FINANCE AND
URBAN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

SECOND SESSION

MAY 10, 1994

Printed for the use of the Committee on Banking, Finance and Urban Affairs

Serial No. 103-138



SEP 14 1994

U.S. GOVERNMENT PRINTING OFFICE

78-868 CC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-044728-3

HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

HENRY B. GONZALEZ, Texas, *Chairman*

STEPHEN L. NEAL, North Carolina	JAMES A. LEACH, Iowa
JOHN J. LAFALCE, New York	BILL MCCOLLUM, Florida
BRUCE F. VENTO, Minnesota	MARGE ROUKEMA, New Jersey
CHARLES E. SCHUMER, New York	DOUG BEREUTER, Nebraska
BARNEY FRANK, Massachusetts	THOMAS J. RIDGE, Pennsylvania
PAUL E. KANJORSKI, Pennsylvania	TOBY ROTH, Wisconsin
JOSEPH P. KENNEDY II, Massachusetts	ALFRED A. (AL) MCCANDLESS, California
FLOYD H. FLAKE, New York	RICHARD H. BAKER, Louisiana
KWEISI MFUME, Maryland	JIM NUSSLE, Iowa
MAXINE WATERS, California	CRAIG THOMAS, Wyoming
LARRY LAROCCO, Idaho	SAM JOHNSON, Texas
BILL ORTON, Utah	DEBORAH PRYCE, Ohio
JIM BACCHUS, Florida	JOHN LINDER, Georgia
HERBERT C. KLEIN, New Jersey	JOE KNOLLENBERG, Michigan
CAROLYN B. MALONEY, New York	RICK LAZIO, New York
PETER DEUTSCH, Florida	ROD GRAMS, Minnesota
LUIS V. GUTIERREZ, Illinois	SPENCER BACHUS, Alabama
BOBBY L. RUSH, Illinois	MIKE HUFFINGTON, California
LUCILLE ROYBAL-ALLARD, California	MICHAEL CASTLE, Delaware
THOMAS M. BARRETT, Wisconsin	PETER KING, New York
ELIZABETH FURSE, Oregon	
NYDIA M. VELAZQUEZ, New York	BERNARD SANDERS, Vermont
ALBERT R. WYNN, Maryland	
CLEO FIELDS, Louisiana	
MELVIN WATT, North Carolina	
MAURICE HINCHEY, New York	
CALVIN M. DOOLEY, California	
RON KLINK, Pennsylvania	
ERIC FINGERHUT, Ohio	

SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

HENRY B. GONZALEZ, Texas, *Chairman*

BRUCE F. VENTO, Minnesota	MARGE ROUKEMA, New Jersey
CHARLES E. SCHUMER, New York	DOUG BEREUTER, Nebraska
KWEISI MFUME, Maryland	THOMAS J. RIDGE, Pennsylvania
JOHN J. LAFALCE, New York	RICHARD H. BAKER, Louisiana
MAXINE WATERS, California	CRAIG THOMAS, Wyoming
HERBERT C. KLEIN, New Jersey	JOE KNOLLENBERG, Michigan
CAROLYN B. MALONEY, New York	RICK LAZIO, New York
PETER DEUTSCH, Florida	ROD GRAMS, Minnesota
LUIS V. GUTIERREZ, Illinois	SPENCER BACHUS, Alabama
BOBBY L. RUSH, Illinois	MICHAEL CASTLE, Delaware
LUCILLE ROYBAL-ALLARD, California	DEBORAH PRYCE, Ohio
THOMAS M. BARRETT, Wisconsin	TOBY ROTH, Wisconsin
ELIZABETH FURSE, Oregon	
NYDIA M. VELAZQUEZ, New York	BERNARD SANDERS, Vermont
ALBERT R. WYNN, Maryland	
CLEO FIELDS, Louisiana	
MELVIN WATT, North Carolina	

CONTENTS

	Page
Hearing held on:	
May 10, 1994	1
Appendix:	
May 10, 1994	35

WITNESSES

TUESDAY, MAY 10, 1994

Banks, James G., Member, DC/HUD Executive Committee to Oversee DC Department of Public and Assisted Housing	11
Gaffney, Hon. Susan, Inspector General, U.S. Department of Housing and Urban Development	6
Shuldiner, Hon. Joseph, Assistant Secretary for Public and Indian Housing, U.S. Department of Housing and Urban Development	4
Stockard, James G., Jr., Court Appointed Special Master for the Department of Public and Assisted Housing, District of Columbia	8

APPENDIX

Prepared statements:	
Gonzalez, Hon. Henry B.	36
Banks, James G.	71
Gaffney, Hon. Susan	52
Shuldiner, Hon. Joseph (with attachments)	40
Stockard, James G., Jr.	63

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Gonzalez, Hon. Henry B., chart entitled "40 Largest Public Housing Authori- ties, Troubled Status"	87
Malone, Merrick T., Assistant City Administrator for Economic Development, District of Columbia, statement submitted on behalf of Mayor Sharon Pratt Kelly	89



DC DEPARTMENT OF PUBLIC AND ASSISTED HOUSING AND OTHER TROUBLED HOUSING AUTHORITIES

TUESDAY, MAY 10, 1994

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY DEVELOPMENT,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:32 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez [chairman of the subcommittee] presiding.

Present: Chairman Gonzalez and Representative Bereuter.

Chairman GONZALEZ. The subcommittee will please come to order.

Let me start off by welcoming the witnesses who, on rather quick notice, readily accepted to be with us, for which we are very grateful. I might point out that the interest of this subcommittee, since I have been chairman, with respect to the District, has been sustained, continuing, and very much involved.

As a matter of fact, it was just less than 3 years ago—in fact, it will be September 5 that it will be 3 years, that in the name of the subcommittee, we made a tour of the Mount Pleasant area and had a very wonderful day. Then, succeeding that, the following day, we had a hearing here concerning the District's Housing Authority and Development Agency. So it was informative, as it always is.

So this is a continuing matter with us, both of interest and concern, and particularly with respect to the matter of the so-called troubled public housing designated by HUD under the Public Housing Management Assessment Program.

Today's hearing is mostly for the purpose of exploring the common traits of the troubled housing authorities to see if the current HUD tools are directed at the proper programs, and are providing the technical assistance and funding where necessary to help turn around the estimated 273,000 troubled public housing units, the families living in them, and to return that public housing to its original purpose, as a temporary way station for people down on their luck and trying to get back on their feet financially.

Essentially, I have gone through that since the beginning of public housing in my own hometown, and I remember the origins and the environment and the demographics of that day and time. And it has always been, philosophically, a combated, holdover program from the very beginning. It had intense, and continues to have intense, resistance all through the years.

It is more troubling to see that since 1982, we have had pretty much the same type of development with respect to the so-called homeless and homelessness problem. And what I had always feared the most, that an emergency type of approach would be institutionalized, as it has. And there are many reasons, not the least of which is the complicated, complex, myriad congeries of underlying and immediate causes, which are historical.

And since we in America have lost the sense of historical memory, it is a very difficult backdrop against which to work in formulating policies on a national level here in the Congress. In fact, it has been impossible, so that the main purpose of this is to review and explore these common traits, and see where we can derive benefit in formulating the policies.

Now, here in the District, we are using the local housing authority as a case study to explore these commonalities of troubled housing authorities. And we have had members who, because of other circumstances, had shown an interest in addressing DC's problem ad hoc. I wanted to point out that Mr. Bereuter has been in the forefront of proposing action, and hearings such as this.

Now, we have been told by HUD and the inspector general that one-fourth of the Nation's 1.4 million public housing units are in trouble. We have known that. We had a commission that studied and issued a report. And I won't go into that. As a matter of fact, in order to expedite the hearing, I am going to ask that my formal, prepared introductory statement be presented in the record at this point, and I will recognize Mr. Bereuter for any statement he may wish to make.

[The prepared statement of Mr. Gonzalez can be found in the appendix.]

Mr. BEREUTER. Thank you very much, Mr. Chairman. I do have a brief statement, and I want to begin by thanking you for holding this important hearing regarding the District of Columbia Department of Public and Assisted Housing and the broader national implications of the agency's problems for HUD, and other public housing agencies.

I appreciate your leadership on this matter of vital importance to this authorizing committee as we move forward on the reauthorization of the Federal housing programs. It is important, I think, that this hearing focus on more than just the past problems facing DPAH.

Although the fraud and corruption in that agency and its harmful effect on the people of the District of Columbia should not be ignored, this hearing must focus on how the abuses uncovered in DPAH are indicative of inadequacies in oversight of HUD nationwide. If that is the case, if the potential for corruption like that in the District exists in other public housing authorities, this subcommittee must find ways to tighten up HUD's oversight in monitoring of public housing authorities.

Mr. Chairman, I have a great concern that HUD is exercising its oversight responsibilities in the wrong areas. Well run housing authorities are often stifled by too much HUD regulation while other known problems are ignored by HUD until the problems become so severe that criminal charges are eventually filed.

Clearly, HUD needs to review its priorities and focus its energies on more appropriate oversight for those housing authorities that are poorly run or have a history of mismanagement or corruption. I am pleased that among the witnesses are members of the executive committee created by the District and HUD to solve the problems at DPAH. I will look forward to hearing their plans to resolve the problems there.

And it would be desirable if they would express their views on the recommendation of the special master to Judge Steffen Graae that the District of Columbia Department of Public and Assisted Housing be placed in receivership, a recommendation on which Judge Graae has not acted.

I am especially pleased that the special master, Mr. James Stockard is here today on the panel. His final report to Judge Graae is a most noteworthy document. And Mr. Stockard's statement that, "Every action or inaction, every program, every policy and procedure must be observed through the lens of resident benefit."

I think that is an absolute truth that should be the guiding principle, not just for the executive committee but for HUD overall and for this subcommittee, to look at the implications for the residents of the District of Columbia or the jurisdiction which these public housing authorities are located.

Mr. Chairman, again, thank you very much. I look forward to the witnesses' testimony today.

Chairman GONZALEZ. Thank you, Mr. Bereuter.

One of our witnesses this morning is the HUD Assistant Secretary for Public and Indian Housing who has appeared before us now several times, even in this beginning period of the year or session, Mr. Joseph Shuldiner, who is the cochairman of the recently appointed five-person executive committee overseeing the agency.

Mr. Shuldiner has a track record of managing the country's largest public housing agency, and that is the New York City Housing Authority. And I will say that that city, despite the tremendous, enormous magnitude of the problems, has done, I think, exceptionally well. And in turning around a large city troubled agency, the Los Angeles Housing Authority, of which again we are familiar, has also done exceptionally well.

The next witness would be our inspector general of HUD, Ms. Susan Gaffney, and this office under her directorship has performed quite a number of audits of the DC agency specifically, and has been involved in the most recent investigation that was quite publicized.

The next witness is Special Master James Stockard, who was asked to review the DC agency and make recommendations. His report of last month recommended that the DC agency be placed in receivership.

The final witness is Mr. James G. Banks, a member of the five-person executive committee and a former director of the housing authority. He has a very long and distinguished career in public service with HUD as director of the Office of Community Development and with the District of Columbia Government, with the housing authority, the Redevelopment Authority, United Planning

Organization, and as former and the first mayor of Washington's director of housing.

He is currently involved with the Anacostia-Congressional Heights Partnership in the far southeastern corner of Washington organizing and providing a range of self-help services and training to residents of three public housing developments, all of which are areas of service that I have a great reverence and respect, knowing the magnitude of the challenge of these jobs.

So without any further ado, we will recognize you, Mr. Secretary, first. Thank you for every one of your statements that you have presented to us in writing. They will be in the record as you have presented them. And if you can, I would suggest that you summarize your formal presentation. But I am not going to limit you. In other words, use your judgment.

**STATEMENT OF JOSEPH SHULDINER, ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING, U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT**

Mr. SHULDINER. Thank you very much, Mr. Chairman, and good morning to you.

Since you have been kind enough to allow my written statement to go into the record, I would like to take this opportunity to actually take the viewpoint that Mr. Bereuter mentioned and show that we agree with him and we believe that we are approaching things as he would have us do.

I think I have mentioned before that about 3 years ago, there was a study done of public housing's field operations by Price Waterhouse and that study resulted in a determination that the operation needed to be more results oriented and less process oriented. And we have gone through—as part of a larger reorganization in the Department has gone on, we have attempted to go through our own internal reorganization, which recognizes the fact that we have to be much more direct in terms of providing assistance and being concerned about the results.

We start from the premise that it is not HUD that provides the safe and affordable housing, it is the housing authorities and if they fail, while we can place blame afterwards, it hasn't gotten anybody good housing. So what we have to do is two things. One, as the Congressman said, we have to come up with a tool that will do, in effect, risk assessment and identify the high risk authorities, and then we have to spend our time focusing on those high risk authorities.

One of the things that we are in the process of doing is rewriting, working with the industry to rewrite the regulations and make them a little simpler and more direct. But the benefit of what we are doing, I think, is just as the Congressman said, that we are going to probably end up with something which, in effect, deregulates the high performers, and has us focus on the high risk or the less well-performing authorities.

Having said that, the question is: Well, what does that focus mean and what should we be doing? At least in my belief, since the object is to have the housing authorities succeed in the first place, what we should be doing is providing five things: Technical assistance; training to both staff and residents; resources, of course; act

as a clearinghouse to identify other programs and other efforts that have worked in similar situated agencies; and then last, problem solving.

I think it was with this in mind that we took the course of action that the Department has taken with respect to the District's Housing Authority. The District's Housing Authority has been troubled for as long as we have had that designation; approximately 15 years. We felt it was important to take some action that would have us be much more involved and much more on the line for the result.

As you know, the course of action we took was to work with the District's government, with the Mayor, in a partnership, but at the same time, create the structure that will in some respects carry out some of the recommendations that Mr. Stockard made in both his draft report and final report to the judge, which is to eventually have an independent functioning housing authority.

To that end, we supported the creation of an executive committee which, as you mentioned, has the Mayor and myself on the committee and Mr. Banks, but it also has the president of the citywide tenant organization, Mrs. Clarke, and Frank Smith, the councilman who is the chairman of the District's Housing Committee. So it involves a number of players in the future of the District.

For my part, I have met with staff of the housing authority, I have met with the resident leadership. I have met with community groups to create a real role in interaction for HUD. In addition to the creation of the executive committee, the agreement between the Mayor and the Secretary also required the presence of a third-party management team. In this case, Clyde McHenley and Jeff Lyons were selected to be that third party.

So in addition to HUD participating, there are professional third-party management persons who are reviewing the operations and making recommendations and they report directly to the executive committee.

And last—well, I shouldn't say last, as I said, we view our role—I will quickly go through the five roles that I think HUD should have. In terms of technical assistance, we have staff from all of our programs working with their counterparts in the District to try to upgrade each of their efforts.

Training. We are attempting to get training programs to the residents to work with them.

In terms of resources, of course, we are the main provider of resources and we are looking at a variety of programs that might be able to help the District.

Clearinghouse. As we did with Philadelphia, we are looking to create, in effect, a support group from other housing authorities that would send expert persons to the Department here to help them correct deficiencies.

And last, of course, problem solving. Here we are taking a lot of responsibility.

In terms of the resources, in addition to the normal financial resources, working with George Latimer of the Department, we are outreaching to community groups and foundations to bring needed programs and resources to the residents of public housing. Through the auspices of the Secretary, we have requested the Domestic Pol-

icy Council of those agencies involved to work with us to target other Federal programs again to the residents, to the neighborhoods that the public housing are located, so we believe that we can bring real support to those communities and work on improving it.

The Department historically has had a handsoff attitude. I think in this case, we believe action was necessary. Mayor Kelly, in fact, invited us to participate. And we are pleased that we could work something out.

Let me quickly talk about what is happening now. As part of the agreement, we committed that by May 16, we would have a 6-month plan for the authority. We are working on preparing that plan to be presented to the executive committee next Monday. The plan is being put together by HUD, by the authority, and by Messrs. McHenry and Lyons.

As soon as that plan is prepared, we would be happy to share it with yourself, Mr. Chairman, and the subcommittee. And that will lay out what action needs to be done by all the parties for the next 6 months, included in which will be the need to put together a more long-term plan. In this case, we are proposing that we work on a 3-year plan to improve the operations of the Department so that a better quality of life is provided for the residents.

Mr. Chairman, with your indulgence, I would like to stop here, and of course, answer any questions that you have later on.

[The prepared statement of Mr. Shuldiner can be found in the appendix.]

Chairman GONZALEZ. Thank you very much, Mr. Secretary.
Ms. Gaffney.

STATEMENT OF SUSAN GAFFNEY, INSPECTOR GENERAL, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. GAFFNEY. Mr. Chairman, Congressman Bereuter, thank you for inviting me to be here today. I have my written statement for the record, which discusses an audit we issued last September summarizing 11 audits we had done of large troubled public housing authorities.

At the outset of my testimony, I would like to say something that easily gets lost in these discussions. That is, the vast majority of public housing authorities and their employees are doing a fine job. They are providing decent, safe, and sanitary housing.

I recently visited the Richmond Housing Authority, for instance. I commend such a visit to you. Not only was I impressed by the property, but I was impressed by the determination and the spirit of the residents who are working with the housing authority, with the police, with local businesses, with the determination to improve their individual and collective lots.

As you mentioned, at the other end of the spectrum, we have New York City. The Office of Inspector General has recently audited the New York City Housing Authority and found that there are checks and balances that are in place, and accountability is working. We have a sound operation there. And it is obviously the biggest in the country.

In contrast, when we issued our audit report on these 11 troubled housing authorities last fall, and one of them was the Dis-

trict's Housing Authority, which I am going to refer to as DPAH, we found a pattern of serious operating and management problems. We found living conditions were deteriorating while expenditures were virtually unchecked. Rents were often not collected and cash management and internal control systems were virtually nonexistent.

Too often, public housing seemed to be viewed as a Federal problem. Too often public housing seemed to be used as a political patronage safe harbor. Too often housing authority leadership was either weak and/or subject to frequent turnover.

This is not to say that improvement is impossible at large troubled public housing authorities. Indeed, six of the public housing authorities included in our 1993 audit have been removed from the troubled category. These are New Haven, Newark, Birmingham, Toledo, San Francisco, and Los Angeles.

We have, however, no evidence of improvement at DPAH. Our audit of DPAH is outdated: January 1, 1988, through August 1992. At that time, we found serious problems in virtually every single area of DPAH operations. That includes serious deficiencies in financial and administrative management, housing quality, vacancy levels, maintenance, rent collections, and procurement.

Our audit painted a picture of an organization lacking the most basic internal controls, and accountability for performance. Your other witnesses this morning, all three of them, can provide you with a more comprehensive and current assessment of DPAH operations. But I would note, in passing, two points. One, DPAH's PHMAP [Public Housing Management Assessment Program] score has dropped from 30 points in 1992 to 19 points in 1994. This score is 41 below the passing grade of 60.

Also, DPAH's vacancy rate has gone from 17 percent in 1992 to 20 percent in 1994. The residents and the taxpayers are bearing a tremendous financial and social burden.

I have gone on at some length about these negative conditions because it is very important for you to understand that, against this background, the alleged corruption that we have all read about in the section 8 vouchers should have come as no surprise to anyone. This is not a matter of people who were terribly adroit and clever in circumventing the system. This is a situation where there is a lack of basic internal controls which, we all understand, is what allows fraud and corruption to flourish.

The indictments, the 10 indictments that we have read about resulted from a grand jury investigation that is ongoing, and I am not at liberty to discuss the details of that case, which, by the way, the Office of Inspector General has been working with the metropolitan police and the FBI for almost 2 years.

I want, however, to emphasize one point to you that has been in some of the media accounts. This was not very clever manipulation. This alleged corruption resulted from a deliberate decision to eliminate an appropriate separation of duties that existed in DPAH. That is, up to 1989, we had one unit that was responsible for the integrity of the waiting list. We had another unit that was responsible for awarding the section 8 vouchers. In 1989, that separation was eliminated and these people who were awarding the vouchers were given direct access to the waiting list.

Our September 1993 summary audit report on large troubled PHAs recommended discrete legislative policy and procedural corrections; and HUD, notably Assistant Secretary Shuldiner, is acting on a great many of them. He has emphasized to you the risk-based monitoring approach, and certainly that is something that our office has urged for years. He is acting on it.

I would like to say again, though, that risk-based monitoring is not up to the magnitude of problems that are confronted in PHAs like DPAH. In such cases, the IG believes that HUD must be prepared to step in and take appropriate steps. Total private management and receivership should be considered and adopted when needed. The Congress needs to work with HUD to find what acceptable and meaningful measures can be devised to deal with these large, troubled authorities like DPAH.

While the OIG applauds Secretary Cisneros and Assistant Secretary Shuldiner for their concern about DPAH—and they have certainly exhibited greater concern than has been the case for years on the part of HUD—we believe that the partnership appears to fall short of the drastic measures needed. We look forward to the promised May 16, 1994, 6-month plan as an important indicator of how much the partnership will be able to achieve.

Mr. Chairman, that concludes my testimony. I would be happy to answer questions.

[The prepared statement of Ms. Gaffney can be found in the appendix.]

Chairman GONZALEZ. Thank you very much.

Mr. Stockard.

**STATEMENT OF JAMES G. STOCKARD, JR., COURT APPOINTED
SPECIAL MASTER FOR THE DEPARTMENT OF PUBLIC AND
ASSISTED HOUSING, DISTRICT OF COLUMBIA**

Mr. STOCKARD. Thank you, Mr. Chairman. Thank you for inviting me to spend some time with you this morning. As have the other testifiers, I will not attempt to read through that long document which I presented to you. But I want to say a couple of things that I didn't say in that document as well as summarize a couple of points from it.

First of all, just a quick word about one piece of my experience which is particularly relevant to our topic this morning. I have been working in the public housing arena for about 20 years now, and have had a chance over the course of that time to learn from some of the best public servants in this area, including, I might add, two of the people at this table.

But in many ways, one of the most seminal experiences for me has been that of serving as a commissioner for the housing authority in my hometown. In the course of this 20 years, the Cambridge, Massachusetts, Housing Authority has gone from a bankrupt agency on the verge of receivership to one of finest in the Nation.

I certainly agree with Ms. Gaffney about a visit to Richmond. I also would be delighted to invite you to Cambridge to spend some time with us and meet some of our residents and staff. That agency, by virtue of not only the change in it but the sustained change in it, has given me great respect for those public servants who work both at our authority and many others. They deserve 99.9

percent of the credit for that agency's turning around and staying turned around.

A little bit of the credit, however, just a little, goes to the board of commissioners and our local leaders in Cambridge who did two things. First, they had very high standards for the performance of that agency and the way it would serve its residents. Second, they all got out of the way to let the professionals do their work, which is a very, very important piece of the puzzle.

Now, in relation to DPAH, I had thought I might mention some things about PHMAP scores. But Ms. Gaffney has covered those nicely. In terms of the PHMAP score (which I think is a reasonable measure of the performance of a housing authority) DPAH's is, to my knowledge at least, the lowest of any urban housing authority in the country. That is an indication of the breadth of the problems this agency has.

Other agencies are as troubled in particular areas as this one is. Few, if any, are troubled as broadly across the board as DPAH. Let me offer three suggestions about how this happened and which I would be delighted to comment on later and which may help in understanding this process.

First, this is a 20-year-long problem in Washington. As Assistant Secretary Shuldiner said, this agency was the first housing authority in the Nation to be placed on the troubled housing authority list in January 1979. So it didn't happen overnight. For almost all of that time, by my reading and my observation, many actors, of all kinds, inserted their personal or business or political or even competing public policy agenda in front of the purely professional agenda of providing quality homes for people of modest means.

Let me assure you that administering public housing authorities is an extremely complex business. Even under the best of terms, it is very hard to get it right. When you have to try to serve a number of competing agendas all at the same time, it is frankly impossible to get it right.

Second, good professionals have not been allowed to do their job in this agency. In part, it is because of that multiple agenda I just mentioned. They are being second-guessed a lot and that causes them not to want to stay very long. In part, it is also because of the impatience of leadership, both within the city and at other levels, for change. Impatience, which I would submit in many cases is noble impatience, and sometimes not so noble. But always it has been uninformed impatience about what it really takes to turn an agency of this complexity around. The result is 13 directors in 16 years. I would submit that you can't run anything that way, much less an agency that spends nearly \$100 million a year.

In this context—the second guessing, the impatience—it will continue to be harder and harder to recruit distinguished candidates to serve as the executive director of this agency, especially ones who are likely to be experienced and able to recruit good staff quickly and create systems that will improve the authority in a short timespan.

Third, referred to briefly by Ms. Gaffney, there has never been an adequate system to step in firmly and swiftly to stop housing authorities' downhill slides when they occur. So as a result, DPAH's failings have been allowed to magnify and multiply, rather

than stop so that they could be attended to and the agency could grow healthy again.

Are there possibilities for change? Yes, my own experience shows that. Some of the stories that Ms. Gaffney told show that, and Mr. Shuldiner's own experience in Los Angeles show that. What I believe, however, is that in order to make that change, we must dramatically—I underline that word—wrench this agency out of its present state and set it on a new course.

With relatively sound authorities, it is appropriate to make these changes in a modest and simple and gradual way building on the existing strengths. But with agencies that are as troubled as DPAH, I believe it is vital to radically alter who they are and what they are doing. That means you have to break the old ties and habits that have gotten it into this position. You must send signals to the residents and the staff of the agency, the city, HUD, contractors, peers in the professional field, and other observers, that it is a new day. Not just a little change, but a brand new day.

It is important to create some period of stability and predictability, something markedly different than 13 directors in 16 years. It is important to be able to enable the new leadership to take some bold actions that might otherwise be difficult in a more conventional context. Most of all, it is critical to allow the mission to be powerfully focused and simplified. My own conviction is that the only viable way of achieving these conditions is receivership.

There are some longer term things that I would suggest as well. First of all, I do think it is important—and Mr. Shuldiner has spoken to this I think eloquently and effectively—it is important to reconnect this agency with its city in a positive and important way. Certainly, it can be made into a more efficient agency, instead of having to do everything twice. Probably, it needs to be more independent than it is now, though we have examples of failed independent authorities as well. Perhaps it needs to be a whole new kind of agency—a quasi-public agency or a public/private partnership of some kind. I favor public entrepreneurship as wiser people than I have begun to talk about. Probably, in spite of its failures with its housing agenda, it needs to be a multifaceted agency so that it can help with the multiple problems of its residents. And finally, as Mr. Shuldiner suggested, it needs to be more overseen by a variety of distinguished DC citizens, included primary among them, its own residents.

And finally, I think that you in the Congress can do some things to change the program. It may seem strange that I would argue that local agencies need more, not less flexibility. But as a general rule, I believe that's true. I also think PHAs need additional incentives for producing successful outcomes for residents.

You need to fund and allow HUD to provide more effective technical assistance to troubled agencies. I like the Assistant Secretary's list of forms of help, and it is hard for him to do it right now with the staff level he has. When the technical assistance fails, there needs to be some strong and swift sanctions for failure.

And ultimately, I think we need to make public housing not just isolated communities that include only people of modest means. Finally, we are a better society when we are gathered in communities that are more diverse and more connected. I believe that is a possi-

bility for public housing and I encourage you to think more about it.

Thank you for letting me take a little longer than I expected, Mr. Chairman. I would be happy to answer questions.

[The prepared statement of Mr. Stockard can be found in the appendix.]

Chairman GONZALEZ. Thank you.

Mr. Banks.

STATEMENT OF JAMES G. BANKS, MEMBER, DC/HUD EXECUTIVE COMMITTEE TO OVERSEE DC DEPARTMENT OF PUBLIC AND ASSISTED HOUSING

Mr. BANKS. Mr. Chairman, Mr. Bereuter, thank you very much for this opportunity. I too will stand on the written testimony which I have submitted and simply review some issues which I think require emphasis.

We must understand the environment in which this problem has arisen. There are some interesting data that have recently been gathered which show that in the southeast area of Washington, DC, in a one-half mile square area, there are 2,500 subsidized units, including public housing.

The special characteristics of the families that live in subsidized housing are that they are generally single-parent families, and 50 percent or more of the families receive public assistance. Subsidized housing and public housing were never intended as instruments to isolate in large clusters the most problem ridden families among us.

The question is: How has this come about? As a native of this city and of the southeast area I remember that many years ago it enjoyed the lowest crime rate in the city. What caused the change? The record is clear. After World War II the city, for reasons which we will not go into now, zoned most of the land south of Pennsylvania Avenue and east of the Anacostia River for the construction of garden type apartments only.

Now the southeast area, east of the Anacostia River, houses more low-income families than any other section of the city. It has the highest crime rate of any DC community.

It has been my privilege and pleasure in the last 4 years to work as a volunteer in that area. We started with the idea of helping residents at risk of becoming homeless to avoid that circumstance. It soon became clear to us that homelessness was a manifestation of a more definitive problem. Residents lacked a sense of community and thus were unable to join forces to overcome the massive problems they faced. In that failure they became bitter and disillusioned.

In clustering so many troubled families together, we created neighborhoods where charitable, public and private, agencies concentrated their services. Indeed they came to dominate the scene, thus making the development of the community almost impossible. As a consequence, many families living side by side, did not live as neighbors.

In Anacostia we decided we would do something about that condition. We sought to bring people together to do things for themselves, but with each other. We found most residents eager to work

together. In the 4 years that we have been there, positive changes have been significant.

The most important change has been with institutions. Churches and schools, which had not maintained close relationships with the community and families, are now busily engaged in developing solutions to help neighboring residents.

As you may have read recently, the city has lost many of its residents to the suburbs. A significant number have moved to Prince Georges County but remained members of the churches in south-east Washington. Those former residents are now helping the families who remain in the neighborhoods. That help is making a world of difference.

We must improve public relations management. We must recruit more highly qualified personnel. But we also must help residents of public housing to develop relations with their neighbors so that they feel comfortable with each other and can help support each other as they strive toward independent living.

Thank you, Mr. Chairman, for this opportunity. And I will be glad to answer any questions that you might have.

[The prepared statement of Mr. Banks can be found in the appendix.]

Chairman GONZALEZ. Thank you, Mr. Banks. And let me again congratulate you as I did at the outset. Those are endeavors that I have great reverence, respect, admiration, and gratitude for. You are absolutely correct. That is the sine qua non. You are right. You can resolve the technical management, accounting, so forth, but you will always have problems that will add rather than reduce even if you temporarily resolve the technical problems, if you don't somehow address the fundamentals.

In fact, that is the overall issue, once again. The question of whether our country at this time is going to renew and reaffirm its basic premise for being, or whether, as we faced during the Depression period, we are going to enure to and accept the European concept of contentment among poverty.

It is easy for us in the United States to kind of judge the outside world by ourselves, but it is a tragic error. And even in the new world, we have countries immediately adjacent and in close proximity, that have very different roots, philosophical, cultural, and whatnot, that really go back to Europe. They are not in our sense when we say American in that sense, new world.

That is the issue. And I think you have hit the nail right on the head. We cannot continue relegating any segment of our society to the iron cage, the continuing iron cage of the ghetto, which it is almost impossible—we made it impossible for almost anybody to escape. And it goes back to as far as we have our religious history.

And when Cain, after having slain his brother, raised his eyes and said, "Am I my brother's keeper?" And, of course, the answer since those of us that subscribe to that belief, is affirmative; yes, we are.

But it will be reflective in every way. The history of public housing and the law and the program, the original act, you are right. I remember in my area where we had a fight, literally fight, it was a violent fight, to bring about public housing—and I mean violent—

the use of violence to try to intimidate and prevent. And I recall as if it were today.

When the families finally moved into the constructed units right before the outbreak of the war, those families were broke. They weren't poor. You had strong family unity. So that since the war, imperceptibly almost, we had tremendous demographic and social changes in vast proportions, and with it came the changes in everything from public housing to banking.

The failure of our vision in America, whether it was found lacking in the national leadership in and out of Congress, in and out of the White House, and in and out of the private sector, if you want to call it that, has left us with no long-term vision that I can recall since Franklin Roosevelt.

The original Housing Act of 1937 mandated there was going to be slum clearance. And it was like some other projects, even in the military, construction to bring about employment. And the families, as I said before, were integral. The divorce rate, for example, was nothing compared to what we take for granted today.

Single family or single heads of households, especially female, were relatively unknown but neither was the female work force existent. It is hard to evoke that world, but somehow or other, those that are charged with formulating policy must keep in mind that we have not kept in pace with these changes. In fact, the amendments, the 1947 Housing Act, for the first time provided that instead of having and mandating as the 1937 act did, that for each slum unit—that is, for each new public housing unit constructed—one slum unit would be eliminated. So you had to go to occupied, slum-prevalent areas.

Then the 1947 act realized that, well, maybe it ought to be opened up a little bit more, and for the first time, eliminated that mandate that you did not have to have a one-for-one replacement.

Then with the erosion in the social constellation of things in our country, the public housing became what you have described as the concentration area or some could call it the reservation, collection of all the families with all the possible problems a family could have, and you would almost have to be on relief, if not actually be on relief to qualify.

Let me say that in all due respect, and in fact coincident with my becoming chairman of this subcommittee in 1981, and the mandate of the incoming administration, the mandate was very similar. You have got to cut across the board 10 to 15 percent in personnel, and also costs.

One of the first announcements made by the newly appointed and confirmed Secretary was to do away with the in-house appraisal. So it wasn't a year—in fact, it really developed into an epidemic situation and we couldn't escape it.

We took the subcommittee in 1984 to Milwaukee where the newspapers there had been daily, for months, exposing the skull-duggery resulting from not only incompetence but malefactors in the Chicago region extending to Milwaukee in combination with some unscrupulous realtors and appraisers. We went to Milwaukee in October. In fact, it was October 8, 1984, and it was very, very disappointing because we had not had the hearing under way 2

hours before we had testimony and evidence, documented, of culpability.

So we came back and we referred it to the Justice Department, because that is what I had done when I had been a member of the Small Business Committee, and had undergone a thorough investigation of the then-abuses in what was the beginning of the so-called minority programs, and found that there was supposed to be an inspector general's department, but it wasn't very active.

It was those hearings and then subsequent to that, about a year or two later in Flint, Michigan, that in Milwaukee led to the indictment and conviction of four individuals, two HUD officials and two private individuals. And in Flint you had a similar occurrence. As a matter of fact, the first assistant or maybe it was deputy, from Denver in that first administration came from a realty office in Denver and it was not by September that we had letters and messages from Dallas to Pittsburgh from people saying, why is it that we in Dallas have to have an appraisal firm or a real estate firm from Denver doing our appraisals? And I attempted to bring that to the attention of the Secretary and found it impossible. And it was not a surprise when these other specific cases arose.

I am bringing that up because I think that today, with a new, brand new administration, we have what I know to be a very dedicated, forward, and above reproach leadership, I cannot help but recall that sorry period in which, instead of bringing about action, it resulted in a very, very antagonistic—in fact, an attempt was made to personalize the feud between the director and myself.

Now, what I said that deepened that animosity was not said here in the Halls of Congress. It was said over in the courtyard of HUD, but it gave reason to extend that feud and divert attention.

So we had other reports and it was to no avail that we attempted to first bring them to the attention of the Secretary. Then fruitlessly, not being able to arrange through the liaison, congressional liaison, I have always believed in following the process, we referred it back to Justice, and then it bounced back. But we now since then have seen the sorry spectacle, not of a lowly District employee, but of high-placed individuals, former members of the Cabinet, involved in high jinks and highway robbery through the improper use of these HUD programs.

I didn't hear any alarms then from any member of the subcommittee on either side. And everything was dismissed as, well, this is a personal feud between the chairman of this subcommittee and the Secretary. Since then, you have seen the tragedy of the Special Assistant to the Secretary indicted and convicted and sentenced and everything else.

It is very difficult for me to get very excited about some of the lowly poor who find themselves victimized by some unscrupulous people in the District where there has been a withdrawal, not only from the Federal administrative level, but from the Congress.

And I recall that we had the inspector general before us in 1989, and I asked why had he not reported this, and what had he done about bringing it to the attention of the Secretary? And it is still on record. In fact, I jumped all over him. He said, "Well, we did." And I said, "When?" And he said, "On January the 19th." That was the day before the Secretary left office.

We cannot have that. If the inspector general's office is set up for that purpose, and we have that kind of behavior, which I really chastised up and down—it doesn't do any good. I will say this, that we have been very, very beholden and very respectful of the inspector general's work since then and particularly during the immediate preceding administration, because we have the inspector general's report in which constantly things were pointed out and it became a challenge for the administrators.

The fact is that I deeply appreciate the continuing work. We have asked questions of the incoming administrators based on the inspector general's observation that say in the case of the disposition of some of the properties and some of the programs, that the main reason, and the reports for the last 2 years have indicated that, is that they didn't have the sufficient personnel, or the adequately trained personnel.

But then comes a mandate from the Vice President on his order to reduce Federal employment by 250,000-plus employees and then when you translate that to HUD at the time when the recommendation is that you need additional employees, one sympathizes with the administrator. And we in the Congress subjected to this two-rail traditional authorization and appropriation, and find that no matter how much we would want to authorize, we still have to depend on the actions of the Appropriations Committee and the budgetary exigencies, some of which were entered into prior to this administration, but even which this administration finds it difficult to extricate.

Now, specifically, in your statement, Ms. Gaffney, on page 6, you say our DPAH audit showed that although the National Association of Housing and Redevelopment Officials sets an industry standard for tenants accounts receivable of no more than 10 percent of monthly tenant charges, DPAH's were 453 percent of tenant charges and totaled over \$8.4 million as of March 1992. Of this amount, \$149,000 was owed by DPAH employees.

Could you enlarge a little bit on that? What employees? What DPAH employees? You say \$149,000 of this—

Ms. GAFFNEY. All I know is that they were employees on the rolls of DPAH, but I will ask my colleague if that is all right with you. Ed Mormorella from our regional office in Philadelphia.

Chairman GONZALEZ. OK.

Ms. GAFFNEY. No further identification. They were simply employees. No particular type of employee.

Chairman GONZALEZ. But they must have been living in public housing.

Ms. GAFFNEY. Yes, yes.

Chairman GONZALEZ. So we don't know whether these are resident managers or whether they are employees that happen to be doing some work—

Ms. GAFFNEY. Yes, that is correct. We don't know whether they were doing a particular kind of work.

Chairman GONZALEZ. As you understand it, this was as of March 1992. Do we have any more recent statistics?

Ms. GAFFNEY. We have not done any work since then, but these gentlemen may have.

Chairman GONZALEZ. Well, I don't know. Maybe the administration, but 1992 was before this administration was in power. Do you have anything—

Mr. SHULDINER. I have no more current information on that particular aspect, employees who are also residents and who had outstanding rent arrears. That is something that we could find out for you, sir.

Chairman GONZALEZ. I appreciate that very much. I believe that is proper.

[The following information was subsequently received from Hon. Shuldiner:]

The following information is provided as requested. As of May 10, 1994, records at the Department of Public and Assisted Housing (DPAH) indicated that 57 employees live in public housing. Records reviewed from the DPAH Controller's Office indicated that as of April 10, 1994, rent arrearages totaled \$49,042.80 for 41 of the employee rent accounts. These delinquencies ranged from \$21.83 to \$10,755, with an average arrear account in the amount of \$1,196.16.

It should be noted that these same records indicated credit balances for 13 DPAH employee accounts in the total amount of \$3,810.99. These credit balances may reflect funds owed by the agency for overpayment of rent.

Chairman GONZALEZ. Oh, yes, Mr. Stockard, you were pointing out that we have had 13 directors in 16 years. Well, that is term limitations with a vengeance.

Mr. STOCKARD. Yes, sir.

Chairman GONZALEZ. We have this other push and pull on term limitations. Well, here you have it. And, of course, I agree with you that you have to have stability there and it is indicative of flux.

The other thing was your suggestion on quasi-public, and that gives rise to a question I had for Mr. Shuldiner, and that is in the letter to Mayor Kelly of April 16 spelling out the roles and the responsibilities of the executive committee, there is an implication that I believe means a significant contracting out of DPAH operators.

Is that a correct conclusion?

Mr. SHULDINER. Well, yes, it could be read that way. Basically, we just want to go forward and take whatever action is necessary. In some cases it might be contracting out the work either permanently or for a period of time until the housing authority builds its own internal capacity.

I guess the issue for us, and which the Mayor has agreed, is the need to get competent, professional service, whether it is directly delivered by the Department—meaning DPAH—or by the private sector. But we would explore all avenues to achieve that.

Chairman GONZALEZ. I really hope so. I am not an automatic believer in this private business. I don't see how you are going to attract unless you have a pay level that would be superior to whatever the District has been able to apportion to attract competent employees in certain areas. I don't see how contracting is going to save. It may end up being false economy.

Mr. SHULDINER. Mr. Chairman, if I might, picking up on something that Mr. Banks had said. If you look for example at some of the public housing in Anacostia, almost all of it abuts privately owned assisted housing, section 8 or whatever, some of which unfortunately is even more poorly managed than public housing, but some of it is managed extremely well.

In those particular situations, it would be to the benefit of the owner of the adjacent property to have the public housing managed well. So, if we have ways that could do outreach to some of those owners, they would not be interested in only for possible financial gain, but in an effort to stabilize the property that they already have. So we are looking at a variety of approaches in terms of what response we can get from the private sector.

In some cases, as you suggested, there may be little interest and in some ways there will be great interest, and we just want to take advantage of all the resources that are out there.

Chairman GONZALEZ. Well, I thought it interesting, Mr. Banks, when you outlined the history there of things, and the zoning. What about urban renewal?

Mr. BANKS. Well, urban renewal did not take place directly in that community. I was, as my record shows, responsible for the rehousing of 25,000 people from southwest Washington in the 1950's. And the significant number of those families did go east of the river into public housing projects.

At the time we considered it a success that as many as a third of the families went into public housing because that was the best housing available for them at the time at a price they could afford.

In retrospect, of course, it seems that not only was the public housing being built in far southeast Washington, but subsidized privately owned housing as well. Over the years, it has become evident that the concentration of so many families with low incomes in small areas creates an environment which, as you say, is not an inducement to go out, to reach out. As a matter of fact, there are penalties for reaching out to become independent.

I have got to say this, though, Mr. Chairman, because this is not said often enough. Most of the people who live in these developments are really good people. Not only good, but they want to shed this shelter of dependency which has been foisted upon them. They want to be independent.

And when I came into this hearing today, I saw a lady outside the room who I hadn't seen for 15 or 20 years. Her name is Ms. Martin and she lives in southwest, James Creek, and of all the developments in Washington, James Creek is a model of resident participation and resident care for their environment. And if we could do all of the developments in Washington, DC like James Creek in the southwest, we would not be on the list of troubled authorities.

Chairman GONZALEZ. Did anyone have a comment? If not, I may reserve some of the questions for submission in writing.

But I am going to recognize Mr. Bereuter at long last, and of course, he is free to ask questions.

Mr. BEREUTER. Thank you, Mr. Chairman.

Few things, it seems, are done in the Congress anymore without partisan motive. This is not the place for partisanship. For example, we have had the public housing authority of the District of Columbia on the troubled list since the beginning of the troubled list in 1979, and Mr. Stockard indicated that this is a housing agency that has a 20-year problem. Obviously, it has existed in this problematic stage from administrations of both parties.

The shocking and sad part about the troubled housing authorities is the kind of inept service they give to people who are socially

and economically strapped. And that is why it is time to get on successfully with reforming the troubled housing authorities of the Nation.

And that is why it is time for Secretary Shuldiner to be able to pull off what your predecessors didn't seem to be interested in or were inept or couldn't do it, and that is you need to get better oversight as your statement indicated you intend to do, and correct the problems with guidance and oversight.

The worst-case scenario, it does seem, exists right here in our midst, here in the headquarters city of the Federal Government; the HUD central office is located here, the executive branch is located here, Congress is located here. And we have a troubled agency that has a 20-year history, which Mr. Stockard said few, if any, of the housing authorities has been troubled across the board as the District of Columbia's Public Housing Authority.

And I think, Ms. Gaffney, the HUD IG said the partnership proposals fall short of the drastic steps that are needed to make the change necessary here.

I think one of the biggest difficulties presented were the comments of Mr. Stockard when he recognized, rightfully, I think, it is going to be very difficult to recruit the kind of leadership that is necessary to turn this around. Some sort of dramatic change is necessary in this particular housing authority.

I noted that the IG said, based upon HUD criteria, that DPAH has 369 too many staff people in its 800 person staff. So it seemed to me, while this is a troubled housing authority, it may need more staff. Clearly, the answer overall is not more staff. The answer is to employ them effectively.

I think the troubled housing authorities, the 25 that were on the list, the 11 troubled ones now down to 6, perhaps, are a blot on our democratic ability to govern ourselves. If we can't turn around troubled housing agencies in a relatively short period of time, something far less than 20 years, it is a blot on our ability to govern ourselves, to manage our resources well, and to assure that people who need the help the most from their Federal Government, and from their municipalities—in this case, the District of Columbia—do receive that service. Taxpayers are buying services that are effectively and efficiently delivered.

I have some very specific questions I would like to start with, and perhaps I will have to supplement more in writing.

Mr. Stockard, I wonder if you could tell me, first of all, when you delivered your recommendations to Judge Graae?

Mr. STOCKARD. I have given Judge Graae two reports. My initial report was submitted to him on January 10 of this year. And my final report was submitted about a month ago. I can find the date for you here if you want the specific date.

Mr. BEREUTER. In your initial report, did you also recommend the receivership approach?

Mr. STOCKARD. No, I did not.

Mr. BEREUTER. So that was the most recent report that recommended that to the judge. There was no formal indication that you received of what and when the judge may act upon that recommendation?

Mr. STOCKARD. No, there is not. There is a hearing scheduled in the case for May 24 of this month. And I don't know how long it will take to complete that hearing. After that hearing is over, the judge will be in a position to make a ruling. I am not sure what he intends in terms of the timing of that ruling.

Mr. BEREUTER. Thank you. Secretary Shuldiner, you, I think—HUD is to be commended for moving and trying to create a new partnership to solve this problem. In the absence of a larger, more far-reaching change like receivership, which I think may well be the appropriate step if the judge is so inclined, you have created this partnership with the city as an interim measure, at least.

Would you be willing to brief the subcommittee then on the approval of the 6-month plan and give us some periodic reports about progress for this HUD partnership and DPAH?

Mr. SHULDINER. Absolutely.

Mr. BEREUTER. I think that would be appropriate for us to follow what is happening in this particular housing authority. Despite the difficulties that HUD has faced and the conduct of its oversight, somewhere you need to look back, why did the failure happen in the first place? Why did this go on so long?

What is there that we could learn from this process, not just to fix what happened here, but to make changes to bring the housing authority of this city back up to efficient operation, but to see where the failure took place within the HUD system. And I hope that will be not only the focus of this hearing but also your effort there.

Mr. Stockard, in your testimony you recommend modification of the one-for-one replacement rule. Do you believe this statutory requirement is problematic for DPAH?

Mr. STOCKARD. Not in the short run, but perhaps in the long run it may well be. The District has a particular advantage in its housing programs in that the housing stock, the type of property it has, is far more amenable to modernization and improvement and turning into healthy communities that James Banks was speaking of than is the stock in more dramatically troubled cities.

There are virtually no highrise buildings occupied by families, a housing type that is almost impossible to manage well. There are no 1,000-unit developments. There are certainly cases of developments side by side with each other, but none of the sprawling, incredibly dense developments that occur in other places.

It is those places which face the most difficulty when trying to replace on a one-for-one basis those huge complexes that are inappropriate. The District doesn't face that in the near run. In the long run, it might. But other housing authorities that are as troubled as this one is, do have to cope with such problems.

Mr. BEREUTER. We are fortunate that the Federal City has height limitations.

Mr. STOCKARD. Yes, that is true. The infamous height restrictions.

Mr. BEREUTER. Ms. Gaffney, you said that the partnership falls short of the drastic steps to turn around this particular housing authority, but you or someone else indicated that of the 11 large troubled housing authorities, 5 or 6 have come off the list.

Could you, today, or in writing following, indicate what common elements existed in the six troubled PHAs that came off that troubled list; what changes were made which enabled them to be taken off that troubled list? If that is hard to answer comprehensively or specifically today, I understand. And just say the word and we will hope to have your comments on that in writing.

Ms. GAFFNEY. Yes, we will try to do that, but I would warn you—and Assistant Secretary Shuldiner can speak to this more eloquently than I—one of the problems is that the answers are not always clear.

It would appear that some things that work very well for some housing authorities, for instance, we have housing authorities that are departments of cities that are run quite well. We have a situation here in DPAH where it doesn't work well. There are obviously common elements and we will try to identify them.

Leadership, strong management, skilled and trained personnel, those kind of ingredients, those are not easy fixes but we will do what we can to identify those elements.

Mr. BEREUTER. Thank you.

[The following information was subsequently received from Hon. Susan Gaffney:]

We reviewed and analyzed, subsequent to the hearing, the key factors involved in upgrading the scores of six PHAs that were designated troubled at the time we audited those PHAs. While there are no common elements that run through the six situations, there are certain specific areas of improvement at several of them. For example, Los Angeles; San Francisco; and Lucas County (Toledo, OH) focused on, and were successful in, reducing their unit vacancy rates and the amounts of Tenants Accounts Receivables. Thus, their PHMAP scores were increased to an acceptable level. At Newark and Birmingham, the PHAs were able to increase their Operating Reserves substantially, and this contributed to them being removed from the troubled list. New Haven was removed from the troubled list because their scores increased marginally to a point where they were close to the passing grade of 60 points. New Haven's progress was not up to the level of other five PHAs.

Mr. BEREUTER. One of the things that you mentioned in your testimony today is alternative forms of management, specifically one of those being privatization. But Mr. Stockard pointed out the privatization management has not been particularly successful in troubled agencies in those areas, specifically Chester, Pennsylvania, and New Orleans.

So what is the basis of your recommendation? Would you draw distinctions between those examples and your own general recommendations? What would you say in reaction to Mr. Stockard's comments?

Ms. GAFFNEY. Well, I would say to you we have been doing some work, for instance, in New Orleans at the housing authority there. And we have not yet issued that draft report. It is imminent. It would appear that New Orleans also is a very troubled housing authority. It would appear that we have not obtained from privatization everything we hoped for, but it would equally seem that progress is being made from the degree of privatization that we have experienced.

Mr. BEREUTER. Thank you.

Mr. Stockard, would you react?

Mr. STOCKARD. Yes, I want to make it clear what I was saying in my report. I actually think that asking the private sector to undertake certain particular pieces of public housing authority ad-

ministration is probably a good idea, if for no other reason than the sheer competitiveness of it. A private firm may offer a standard of performance that challenges public agencies to improve their own performance.

What I am not convinced about at all is the advisability of turning over an entire public housing operation to a private corporation. That is what I think does not work. The difficulty is in order to do that, the oversight agency must have the capacity to administer the contract.

As a person who has worked under contract to many public agencies over my life, I can tell you that I do my very best work when I am overseen closely and worked with closely by the agency that employs me. They know how to set standards and how to hold me accountable and how to ask for more interim reports or call me up short or praise me when it is useful to them. They get the best out of me, frankly.

And that is difficult for many of our public agencies. They are not in the position and don't have the systems or the staffing to be able to administer those contracts in a way that gets the most useful work. There are some interesting examples in DPAH's recent past of situations where they have undertaken a contract and simply not gotten the kind of work that makes the results any better for residents than it would have been if it had been performed by the agency, itself, for far less money.

So I don't want to discourage the possibility of contracting for specific functions but I am very nervous about the idea of overall contracting for the entire operation.

Mr. BEREUTER. Thank you very much. Mr. Banks, I very much appreciate your testimony. I have just been given a note that if I want to testify, Mr. Chairman, before an appropriations subcommittee, I better get up there right now.

I do want to thank all of you for the very helpful testimony that you have given here today as we start this oversight process. And the focus has to be on the whole country and the troubled agencies and, of course, we cannot ignore what is around us. And I would hope, therefore, that I might say this, Judge Graae is listening in one way or another.

I hope he will act on your recommendations, including the receivership, because I think that is the only way to make the sufficiently fundamental change to bring this 20-year-plus troubled agency back to the point where a good manager can change it for the benefit of the people that live here.

Thank you very much, Mr. Chairman. I will return if I can, but if you want to adjourn, I understand that.

Chairman GONZALEZ. I understand, and thank you very much, Mr. Bereuter. I deeply appreciate your interest and concerns.

I am sorry you have to leave. But I understand appropriations is where the money is. Whatever it is, I hope you have success.

What I recall is the Boston Authority being under receivership about 12 years or so ago. But what, if you can tell us, are the legal consequences of that?

Mr. STOCKARD. I am not a lawyer, Mr. Chairman, and I beg your indulgence, but I do know something about the Boston receivership. In brief and in summary, the notion of a receivership is to es-

sentially pluck an agency out of its place in the executive branch and move it over, temporarily, into supervision by the judicial branch.

That means that most, if not all, of the legal restrictions that apply at those levels can be bypassed. This is not always necessary. Mr. Spence certainly did not cut a great number of the bureaucratic pieces of red tape that existed. But it does offer the receiver/administrator the opportunity to take actions that need to be taken in the best interests of the goals of the agency without lots of those strings attached. In some case cases, the specific shortcuts must be adjudicated.

I know that Mr. Spence was frequently before the judge in the case in Boston saying "I would like to do this, when the rules say I have to do that. Is it OK if I do this?" And the judge would make a ruling on whether that particular piece of administrative regulation was allowed to be breached or not, depending on the case.

Chairman GONZALEZ. There again, I must express some skepticism. You know you are going to have a judge making decisions. We criticize the Federal Government or HUD central office for trying to fine-tune local housing authority management and administrative decisions.

Let's take the case of one in another area where you had tantamount to receivership, and that was the Teamsters Union—and there the individual charged with overseeing that is still on a daily pay schedule of \$650 an hour, and it is a preeminent jurist. In fact, he was one that the immediate past Attorney General named to have reasons why we didn't have to have a special prosecutor law; Judge Lacey. He has been content to be on that sweet end of the thing, and as far as I know, the labor union is still not out of receivership, if you want to call it that. In my opinion, legally, it is tantamount to the same thing.

Now, as I understand it, though, the District Housing Authority has never really been an independent authority such as, for instance, throughout the country you have a board of commissioners. Isn't it true you have not had that setup in the District, and haven't had?

Mr. STOCKARD. That is correct.

Chairman GONZALEZ. OK. Then why not suggest that we give the local District authorities, the Mayor, the right to have direct responsibility of management? That is, have a Department of the District of Columbia. Or is it a department?

Mr. STOCKARD. It is currently a department of city government.

Chairman GONZALEZ. All right. But operating without any real local sort of administrative oversight in the equivalent of a board of commissioners. There is no board of commissioners.

Mr. STOCKARD. That is correct.

Chairman GONZALEZ. Mr. Banks, do you have a statement on that?

Mr. BANKS. Mr. Chairman, I am not sure that I am understanding clearly what is being said. When this housing authority was created in the District of Columbia in 1934, it was a separate organization. It was, indeed, a Federal organization. It was a Federal organization reporting to the President of the United States.

It was called the Alley Dwelling Authority at that time. The name was changed to the National Capital Housing Authority in 1937, and it had a separate board of directors. The NCHA chairman was the chairman of the board of commissioners of the District of Columbia. There were four other members. And it remained that way until 1967, when there was a single appointed commissioner of DC, Walter Washington.

When I was the director of the public housing, the National Capital Housing Authority continued technically as a separate organization. It had its own personnel office and its own finance office up to 1974, when I left. That was the year that home rule took effect in the city. The Public Housing Program became a part of the Department of Public and Assisted Housing—I mean the DC Department of Housing and Community Development.

Chairman GONZALEZ. You say that was in 1974?

Mr. BANKS. In 1974, yes.

Chairman GONZALEZ. I thought that home rule had come in 1967?

Mr. BANKS. That was not home rule in the fullest sense. That was a step toward home rule. The city had an appointed commissioner, a single commissioner, not three commissioners. Walter Washington. And that was the first step toward home rule. But home rule, in its current status, anyway, came in 1974, actually effective 1975.

Chairman GONZALEZ. Well, I didn't think it was too much home rule even at that. The Congress still has its clutches as I have pointed out endlessly. And that is the reason why I introduced the first Statehood bill for the District of Columbia. In fact, I introduced it in 1967. And it caused quite a bit of a stir among a few. Not many thought it would get anywhere.

Until you had at least a more direct self-resolution type of setup for the citizens of the District, you would continue to have whatever decision was made locally, some undoing of it whenever the Congress erupted into a fit of morality of something or another.

But in this case, coming back to receivership, it seems to me that perhaps you have never had the public housing activities really based on a local citizenry type of control as far as possible with any real, real responsibility. In fact, I noticed that the executive director has a salary of \$31,000, and they are currently advertising for a director of modernization at \$80,000.

So it seems to me that at least even in a local situation such as, say, my hometown, you have the members of the city council that appoint the board of commissioners. Then they in turn are supposed to select the directors, the manager or the director. At least you have some residual power there in the hands of the people through their elected representatives on the local legislative body.

But I don't know that that has happened in the District. Maybe I am wrong. Maybe it has. But I wonder if any one of you could enlarge on that and give me a little better description.

Of course, I want to thank you, Mr. Banks, because you have given, in a capsulated form, a history of the housing in the Capital City.

Ms. Gaffney.

Ms. GAFFNEY. I would say to you that in our audit report on DPAH, one of the things that we consistently found was that there were problems, DPAH was having to deal constantly with various parts of the District Government. They were being subjected to procedures and regulations which were not necessarily appropriate for a housing authority. And that caused endless delays, confusion, bureaucracy.

Is that the kind of thing you were interested in?

Chairman GONZALEZ. I see. Well it may be, Mr. Stockard, and you studied it in far more detail than I would ever think of being able to do. And it may be that that recommendation is a thing. It just seems to me that short of an out and out receivership, perhaps a more independent—

Ms. GAFFNEY. Mr. Chairman, I was trying to, my remarks were along those lines, that the lack of independence of DPAH from the District Government is one of the causes of bureaucracy, delays, inappropriate maintenance, all of those problems.

Chairman GONZALEZ. Certainly. I guess in almost every locality it has had a history of one point or another, where you have a tendency to have the political and the patronage and so forth seep in. And, of course, it still takes eternal vigilance on the part of the citizens.

Mr. STOCKARD. Mr. Chairman, if I might, just another word or two. As Mr. Bereuter indicated in his questions, initially I did not favor a receivership. I thought that we might be able to strike a middle path that would return this agency to one of which the District could be proud with less drastic steps.

And I must say that that was always a near thing for me. It is a troubled agency. And from my experience in the past this radical change of behavior is important. It was with some difficulty that I crafted that recommendation for the judge in my initial report.

What Ms. Gaffney said earlier is very important here. What works well in one city may or may not work well in the next city. Our cities are, thankfully (sometimes sadly but usually thankfully) diverse and different. And the leadership is different and the people are different and the context is different, and the housing stock is different, and lots of other things are different.

And so it was with some difficulty that I came to the conclusion that this was necessary in the District. A major reason for this conclusion is that this long history of difficulty here makes it very important, I believe, that something dramatically different now occur. In some respects, what recommends receivership the most is how different it is and how more likely it is to provide a safe harbor for some of the best professionals to begin to help this agency serve its residents better.

Even though we have said some troubling things about the performance of the District, in my experience there (and I have spent 2 to 3 days a week at the authority every week for almost the past year) I have met some truly distinguished, committed, hard-working public servants at DPAH. Usually, we don't know their names or their titles but these people have worked mightily over the years to make the Department function.

But there is a lack of consistent leadership at the top, with highly professionalized goals who will say to them, simply go and do

your job. Don't take any of those funny phone calls. Don't worry about those extra reports that somebody has asked you to write. Do your job.

The problem is that, over the course of that agency's long history, just about the time people began to feel maybe they could start doing their job, there is a new director. May be a good person, may be a not so good person. Many have been distinguished public servants. But as is true with all public housing directors, director A had a little bit different path on which to proceed than director B. And it was necessary for the staff to say, "Oh, we have to rethink that, we have to put that project aside and work on this new project."

And sometimes, those signals about not taking phone calls and not attending to other kinds of business were not so strong. And people began, as a natural result of all that, to draw back from committing themselves to doing the work they do so well. I just can't say enough about some of their distinguished service over there. And that is why I think this dramatic change is important.

Changes of moderate adjustment and change that seem to be, "Let's hold our breath and see if we can get through this next one," I am not sure will do it at this stage. Five years ago, ten years ago, maybe there could have been a different recommendation. But at this point, I think it has to be dramatic, and that is what best recommends the receivership mode. I am appalled by the story that you tell about the rates and everything else that you said were involved in the Teamster case and I am confident that that would not obtain in this situation.

Chairman GONZALEZ. I think I was using a very extreme but nevertheless still existent situation. But, you know, after your extension and enlargement and explanation, I can't help but say that I respect your judgment and I can see where you finally reached that decision, and that recommendation. And I respect it.

I was just raising issues, given the difficulty of the political history of the District and as the inspector general brings out, this lack of independence and freedom from obstruction from other areas that have little or nothing to do with the Housing Program.

I had requested the information on the public housing employees that were delinquent but my real interest is, and I wonder if you could find out and maybe sometime in the future report back, on how many resident managers we have in this DC system? Or do we have any?

You know, we can always talk about having some superior, knowledgeable individual, but we have to come back to the people themselves. They are ultimately the best judges as to what is best for them. This is inherently the faith in our system, that we do have the discipline and the know-how to govern ourselves.

I had experience in my hometown. I worked for the public housing authority for a 3-year period in an expansion program. And the reason I came aboard was because it followed a period of political turmoil and interference. In fact, the directors had been political appointees of the Mayor under the old system, a commissioner form of system. So that when, in 1951, we had the changeover to the council/manager form, we had a general reform era.

The reason for that was that San Antonio, my hometown, and place of birth, was a war impact area. In other words, between 1940 and 1945, the city doubled in population. That brought an influx of people from elsewhere that didn't want to tolerate the good old system that had prevailed of the political machines going back to the turn of the century.

And with that change came the spiriting away from the Houston Housing Authority of this very distinguished lady, Marie McGuire, and I worked for Ms. McGuire on the recommendation of Maury Mavarick, who was still living at the time. It was controversial and we had to have a referendum, but we won the referendum and it called for the most extensive enlargement of a Public Housing Program anywhere in or out of Texas, and in fact it was \$28 million. For 1950-1951, that was a lot of money. And so the problem came in the acquisition and the relocation of families.

And so I was recommended and I was challenged and I went to work for her. The title was Assistant Director in Charge of Land Acquisition and Family Relocation. We had 454 families in all to relocate. And we did without one single eviction order, and every one of them relocated in far superior and livable standard housing.

Proceeding from areas where we had lean-tos, tin, cardboard, which you still see incidentally in some places in the country along the border and in some other Southwestern States, dirt floors, lean-tos, maybe one common drinking fountain, water fountain, for a series of families, and one pit privy, and these in the shadow of city hall, less than a quarter of a mile away. So we had a challenge. And it required some imaginative doings.

We had to work with the old PHA, the Public Housing Agency or administration, and they set the rules. But in order for us to successfully have moved those 454 families, I had to defy those rules. But what I did was work with the builder who was going to demolish, and as always, as is today, in the midst of that poverty, you had some houses that were still standard, believe it or not, by PHA standards. And we arranged to buy back and move them into suitable lots.

But I got to know Ms. McGuire who later was appointed Public Housing Commissioner by President Kennedy in 1961. And later that year, that coincided with my being elected to the Congress in 1961. I was trying to get on the Labor Committee—I knew I couldn't get on the Armed Services because of all of the military installations. My District was a whole county my first 6 years, and I knew I couldn't get on there because of the seniority rule, and so I wanted to get on Labor and Education, but I couldn't.

Lo and behold, I ended up on Banking. And lo and behold, Speaker McCormick called and said, well, that is where you are going to go. He said, I had a call from the White House. And I couldn't understand it until I hit the Banking Committee, which consisted of 30 members, I became number 31. And the Subcommittee on Housing consisted of seven members and the chairman was Mr. Rains of Alabama, and he didn't want to enlarge it, but he did, so that I became a member of the subcommittee since then, for 32.5 years.

Well, it has been a most interesting and challenging time, but that is the real reason that I ended up in the Subcommittee on

Housing, as I found out later. The main thing I see is that it is at the heart of the well-being of our country. After all, shelter is the indispensable throughout the world in human existence, no matter where on this planet that mankind lives, we have to have shelter. And it is just not possible within my mind to accept what it seems to me too many have come around to accept.

I have quoted the Irish saying, that says, "It is easy to sleep on another man's wound." And, of course, it is for those of us that now have comfortable beds and all. But when we finished the completion and I was ready to move on, Ms. McGuire called me because the newspapers were on her criticizing her for having overbuilt that there was not that demand.

We knew better, but that was the criticism, so she asked me to please stay on long enough to take over the management until it could be occupied. In other words, attract and acquire tenants, the Mirasol project, which was a 500-unit project. And I said I am not cut out for that but to help you, Ms. McGuire, I will do it and on this condition: That what comes first, either 60 days or 2 months, or one-third tenant occupied. And she said, oh, absolutely.

And so first thing I did was realize that I had to be there on the spot. So I borrowed a brand new one-bedroom unit and made an office out of it and there in that area interviewed the applicants, which, of course, immediately lined up. Well, within 6 weeks, we had more than 50 percent. We had somewhere around 340 tenants moving in. And we had apartments ranging from one to four bedrooms. That still is one of the more attractive and endurable housing developments in San Antonio.

But then I realized that I would have to be there. And so in the meanwhile, our family was growing, but I got permission from my wife, and finally, I just moved in. And until you have a person there that has to face a commode that will not work and that tenant says hey, my commode is not working, what are you going to do about it? Or some other malfunction, until you do that—in other words, you need resident managers. And we don't have them, in or out of San Antonio, so I am interested in knowing if we have them in the District of Columbia.

Mr. STOCKARD. I think I have some information for you, Mr. Gonzalez. I have had a quick conference with Mr. Burnette, the interim director.

Chairman GONZALEZ. I realize, in fact, I was going to ask if any of the witnesses had time constraints and would like to leave soon.

Mr. STOCKARD. Not I. The answer, Mr. Chairman, is that there are really no conventional resident managers at DPAH. One development at DPAH, Kenilworth Parkside, a rather well-known development, is managed by a resident management corporation. And the person who is the resident manager for that corporation, does live at Kenilworth.

There is one more complex, Columbia Road, where a person who is playing some of those roles does live on site. But in general, over the breadth of DPAH's nearly 60 sites, most of the managers go home to a different address in the evening.

Chairman GONZALEZ. Yes, I know that back home, where I make it a practice to drop in now and then just to chat, you have, in fact, one person attempting to take care of two or three smaller projects.

They may be small by comparison with the larger ones, but you still have to look at it in terms of human beings and families and their problems, and as they confront that which they have no control over, and which is a responsibility.

I think that is a very desirable thing or goal to try to achieve. So I appreciate that information. And I do hope that somehow or other we could work to that.

Again, you know, when you compare private enterprise, well, even from the beginning, where you had to overcome from tremendous resistance to the concept of public housing itself, the Congresses have never really looked at it realistically from housing. There is not a private housing enterprise that I know of that doesn't have provisions for say, a sinking fund for such things as modernization, rehabilitation, and upkeep. Well, that never has been anything near.

And it wasn't until the 1970's that we had the first Modernization Program. I think, essentially, the structures built in the 1940's and the late 1930's were so functionally well built that even in my hometown they are very susceptible to modernization and improvement, even today, unlike some of the single-family home ownership 235s and the like that will be the slums in a matter of a few years, were private. That was the concept. That was supposed to be private consortia and the like.

But even there, until you have the provisos that you would have normally, such as maintenance and upkeep, modernization, it is impossible to visualize the problems that a single human being has as ostensibly the director overseeing as many as 50,000, an option of 50,000. And it is not until you look at it from that standpoint, and I think the total in the District of Columbia—and in just the conventional public housing, would match about that figure.

Mr. STOCKARD. The District has about 11,800 conventional public housing units.

Chairman GONZALEZ. And a total population of what?

Mr. STOCKARD. There are only 9,700 of them occupied and that would amount to about 30,000 people.

Chairman GONZALEZ. That is a lot of people. Throughout the country, there are townships not that large. And yet we don't look at it that way. We look at it, as you said, as something that is being given out of charity.

But I have other questions; we have visited in other cities where you have similar situations. For instance, I understand that you are conversant with Houston and the Allen Parkway Village situation.

Mr. STOCKARD. Yes, sir, I am.

Chairman GONZALEZ. We have been there two or three times since 1985. And from this standpoint, this level, we have concurrent problems of very deep significance having to do with the termination point of the 20-year section 8 project-based, for instance, activities that will expire within a year or so, and what is going to be done to preserve those for low income. So that equates a problem of the magnitude that we face with public housing.

There was one interesting thing, though, that was manifest, Ms. Gaffney, by what I thought was a very dramatic statistic showing that 6 of the 15 or so had reached a point where they were no

longer considered troubled. Now, on the recent scandals about the manipulation of the waiting lists and the certificates and all, do you find that unique to the District of Columbia or are there other entities in which that also has been a problem?

Ms. GAFFNEY. We reviewed our caseload looking for other cases of waiting list manipulation, and we found only 17, 16 of which are ongoing. One of the things that we have recently decided to do, as a part of our proactive investigative efforts under Operation Safe Home, is fraud probes of selected public housing authorities. The idea is that instead of taking a year to do an audit or waiting for someone to make a complaint that something is going wrong, that we would go in with a team of auditors and investigators and look specifically for indicators of fraud.

Frankly, I think that is the appropriate way to go at it. If I say to you that we have only 17 cases nationwide involving manipulation of waiting lists, I think you probably would say, huh? Because these vouchers are very valuable commodities. They are just like gold.

Chairman GONZALEZ. Absolutely.

Ms. GAFFNEY. And lots of people are very greedy and lots of people are in need. It is the kind of thing one would assume would happen. So when we are doing these probes for fraud, we are specifically now looking for waiting list manipulation. And we are, by the way, doing such a probe right now in DPAH.

Chairman GONZALEZ. Well, I feel a little bit guilty in holding you unduly so long.

Mr. SHULDINER. Mr. Chairman, if I could, just a couple of things. I didn't get a chance to support what Ms. Gaffney and Mr. Stockard have said in a sense of, you kind of look at it a little similarly to the preface to Anna Karenina in which Tolstoy talked about all happy families being the same, all unhappy families being unique in their unhappiness, and the sense that I think public housing authorities that are troubled have unique circumstances that reflect differences in locality.

And while I don't disagree with either Ms. Gaffney or Mr. Stockard's conclusions as to what needs to be done here, the Department's approach is to recognize that uniqueness and try to respond to what actually exists at the time that we are working.

For example, in Philadelphia, there the problem was, I suppose, the converse of here in the District. We had a city that was not extremely interested in what befell its public housing and the housing authority really suffered from that lack of involvement or priority. So in fashioning a remedy, we looked to have greater involvement of the city by putting the Mayor and the president of the city council on the board of commissioners, and the 2-year plan that we worked out with them is this document, Mr. Chairman. So it gives you a sense of the detail that was involved in that effort.

I am pleased to report to you that at least according to an editorial that appeared in the *Philadelphia Inquirer* on April 8, the editorial board of the newspaper in looking at the housing authority's first 6 months under this effort, gave the agency an A for effort and a B for result, which is something that I am sure we would all appreciate if they were the score that DPAH received 6 months from now.

In looking at this effort, here too, we recognize the issues that Ms. Gaffney and Mr. Stockard have raised about the need for greater independence, greater stability, and, in fact, as I mention in my opening comments, we do believe that the creation of an executive committee can in fact form the basis of an independent board of commissioners in the near future.

It is our understanding that for such an entity to come into being, it would take the action of the city council. It is not within the province of the Mayor or HUD. And it is something that we will look toward in the near future.

I do want to underline some of the other things that we have done. Again, it is the independence and it is also the stability. In terms of independence, not only are we a party to lend what assistance we can in protecting that independence, but as I said, we have as part of the agreement, there is a third-party management team involved in the operations so that there are at least two different actors who are not subject to the local political structure, if you will, in the sense of the Department and the third-party administrator.

In this case, as I said, we are hoping as part of the first 6 months to have a 3-year plan. In this perspective, a 3-year plan will give some stability to the operation. It will give a plan a course of action, set goals and expectations for what will take place over the next 3 years and, again, begin to set the kind of stability that Mr. Stockard talked about.

As an added item, I didn't mention it before, I do want to indicate our priority on resident participation and resident employment. We do believe that one of the things that needs to be done is have a clear written policy on resident participation and what the roles of residents are in the District Housing Authority, in addition to which, one of the things that we have taken on personally in the sense of Department taking direct control for, is the creation, establishment, if you will, of the Step-up Program to begin increasing resident employment in general and employment in modernization and other operational efforts of the authority.

We are looking for all kinds of opportunities to increase that resident employment. There are a number of large modernization efforts that will take place over the next few years. We are also looking at other resources, for example, the Department's only opportunity to intern programs to get young people from high school students living in the District's Housing Authority, to have work situations outside of the housing authority as well. And it is something that we see across the board.

We have talked with the Corporation for National Service about getting what used to be VISTA slots for residents in public housing. Mr. Retsinas has indicated that he will have interns in the Federal home loan bank which will be set aside for, again, high schoolers who live in public housing here in the District.

So we are looking at a number of efforts which involve residents more fully and give them opportunity for jobs and job training.

Chairman GONZALEZ. Very good.

I want to compliment you and the Secretary for envisioning an approach of partnership. I think it was the time before last, when you appeared, the big issue was the headlines. I was so afraid the

pressure would build up where HUD would be pressured to go in and actually take over a District operation.

I want to compliment you on the way you handled it.

There is one thing to follow through. What is your opinion as to—short of receivership—setting up an independent board of commissioners, perhaps, appointed by the Mayor and council. After all, they are elected.

Mr. SHULDINER. I think generically that would be my own personal preference. On the one hand, we are talking about home rule here. I do not mean to tell the city council and the Mayor the way to proceed.

The Mayor and executive committee view it as short term, something needed to get the city moving. Again, if it is successful, it may be—form the basis for the board of commissioners that you suggest; and again I think it is significant to note—Mr. Smith is a member of the executive—that he see that the council is participating and is aware of what we are doing; and, again, I would hope as he finds the experience a positive one, it would be something he would take back to the council and that they would look at a restructuring of the Department, sometime in the near future.

Chairman GONZALEZ. Ms. Gaffney, do you have any comment on an independent board of commissioners appointed perhaps jointly by the Mayor and city council?

Ms. GAFFNEY. Absolutely. I agree with Assistant Secretary Shuldiner that that is the right approach. I think there is some question about whether that is a viable approach in the District; people have questioned whether that arrangement could be attained in the District; and I suppose Mr. Stockard would question even if it were set up whether in fact it would operate that independently, given the culture of the government in DC.

But I would say to you about this partnership that we have now, Joe Shuldiner is a very competent, committed person; so is Secretary Cisneros; but there are endless areas within this partnership that are not defined in any way, shape, or form.

I think we all just have to hold our breath to see if anything is going to result from this.

Chairman GONZALEZ. We will be looking forward to Monday and the report, Mr. Secretary.

Mr. SHULDINER. Thank you.

Chairman GONZALEZ. If as you said you indicated you would make it available to us?

Mr. SHULDINER. Yes, sir.

Chairman GONZALEZ. It is a quarter of 12 o'clock. I understand we have some tenants of the District Housing Authority present. I am going to ask those of you who are present, if any one of you has any statement or question you may want to ask at this point. Do you want to address the subcommittee?

Come forward. Why don't you come forward. Take that end chair. We will move Mr. Shuldiner's mike.

Why don't you identify yourself? What housing program are you in?

Ms. MARTIN. I am Phyllis Martin, the president of the James Creek Advisory Board; and I want to say that regardless of what

the policies are that we have had over the past, it is a new day. I would like to be given a chance to make it work.

As long as you are trying to do something, it will work.

Every time you do something, it will work. What I would like is to have more of a family program. You work hard. We go to train. I enjoyed the training which is part of the partnership. This is Mrs.—I am nervous. This is my first time. This is Ann Clarke, our president.

Chairman GONZALEZ. Ms. Ann Clarke?

Ms. MARTIN. Yes, Ms. Ann Clarke. This is Mrs. Beebe Scott. She is our post secretary. Charlotte Briscoe, our secretary. And Karen Settles. And these are members of our board. We are very active.

Assistant Secretary Shuldiner will tell you we had a full board meeting the day he came down. There was over 60 properties there, residents of each properties. All I am asking for is to be given a chance to see if we can make it work.

I feel comfortable with this board. I never did in the past. But I feel comfortable with the leadership of the board. I feel comfortable with the board, with Mr. Bernard, our director. We don't know of the way you all feel, but we all feel comfortable. Mr. Davis will understand we want a chance. This is coming from the residents. We just need a chance.

Thank you.

Chairman GONZALEZ. Thank you very much.

Ms. MARTIN. Also, sir, we have a question—we also have present with us the senior council, Ms. Bula Brown. She is president of the senior council.

Ms. BROWN. Good morning. I am Bula Brown, president of Judiciary House and also the president of 19 senior buildings. There is a big improvement. I think there will be more, given a chance. There are so many things that have been improved over the other 2 years. You would be surprised if you just visit our place, see the things that have taken place since 1992. It is a big improvement. I know so many people saw the Housing Department on TV; but you should come now and see.

Thank you.

Chairman GONZALEZ. Thank you, Ms. Brown.

Ms. BROWN. Our director, Mr. Burnett, is a beautiful person. You can always know when things are out of order and he tries so hard to make everything improve.

Thank you.

Chairman GONZALEZ. Very good.

Thank you very much.

Ms. MARTIN. Again, I was just introducing people. This is Karen Settles, our Chair of the Culture Committee.

Ms. SETTLES. I heard a lot of points raised here today by a lot of people, but I would like to thank everyone for allowing us to be here to speak on our own behalf.

The other thing is that what we cited on our level as far as DPAH is concerned, and we see it as one of the bigger problems, being communication, people not really communicating with people on a level where they can understand and interpret it. That is what we are doing when we are knocking all the nooks out as far as we are concerned. We are trying to get a communication of un-

derstanding between the residents and the people that work for the residents. We feel that if that is accomplished, much will be seen at that time.

Thank you.

Chairman GONZALEZ. Thank you very much. I, in turn, would like to present the staff director of the subcommittee, Ms. Nancy Libson, and a newly arrived professional expert on public housing, Ms. Morris, to my immediate right.

Also, I want to thank the minority staff, Vince, Joe, and everybody else. They simply have been working magnificently and making it possible to have these sessions. We will await the report on Monday. Perhaps then there will be another chance to visit as the developments occur.

Thank you very much for your patience and your great help and your testimony.

The subcommittee will stand adjourned until the day after tomorrow at 10 a.m.

[Whereupon, at 11:51 a.m., the hearing was adjourned, to reconvene, Thursday, May 12, 1994, at 10 a.m.]



APPENDIX

May 10, 1994

(35)

OPENING STATEMENT
Chairman Henry B. Gonzalez
May 10, 1994

The Subcommittee has a continuing interest and concern in the matter of "troubled" public housing authorities, which are designated by HUD under the Public Housing Management Assessment Program known as PHMAP.

Today's hearing is to explore those common traits of "troubled" housing authorities to see if the current HUD tools are directed at the proper problems and are providing the technical assistance and funding, where necessary, to help turnaround the estimated 273,000 troubled public housing units, the families living in them, and to return that public housing to its original purpose as a temporary way station for people down on their luck and trying to get back on their feet financially.

We are using the local housing authority here in the District of Columbia as a case study to explore these commonalities of "troubled" housing authorities.

I want to thank Mr. Bereuter for proposing this hearing.

We are told by HUD and the Inspector General that one-fourth of the nation's 1.4 million public housing units are in "troubled" projects and the

majority of those projects are managed by some, but not all, of the 40 largest housing authorities in the country. There are a number of large, well-managed, and even "high performer" housing authorities around the country which do not have these problems. Among them are New York City; St Paul, Minnesota; Greensboro and Charlotte, North Carolina; Portland, Oregon; Tampa, Florida; and Milwaukee, Wisconsin, to name but a few. These are the housing authorities that are unheralded for their management excellence, their innovative resident programs of job training and self sufficiency.

To help troubled housing authorities regain their footing, HUD provides technical assistance, peer assistance from directors of other well-run housing authorities, and training. A percentage of Public Housing Modernization funds are earmarked for this purpose each year. In the past two years \$15.3 million has been made available for this purpose.

It is also possible for a well-managed PHA to have within its properties a "Severely Distressed" public housing project where the residents have multiple problems and the building may have numerous vacancies, vandalism, drug and crime problems. This Subcommittee, in the 1990 National Affordable Housing Act, created a program to address

those "severely distressed" properties, known as HOPE VI, or Urban Revitalization Demonstration Grants. More than \$1 billion has been appropriated by the Congress for this program in the past two fiscal years.

Our witnesses this morning are HUD Assistant Secretary for Public and Assisted Housing, Joseph Shuldiner, who is the co-chairman of the recently-appointed five person Executive Committee overseeing the agency. Mr. Shuldiner has a track record of managing the country's largest public housing agency, the New York City Housing Authority, and of turning around a large city "troubled" agency, the Los Angeles Housing Authority.

Our next witness is the HUD Inspector General, Susan Gaffney, whose office has performed a number of audits of the DC agency and who was integrally involved in the most recent investigation and bribery and fraud charges against five employees who administered the Section 8 waiting list.

Our next witness is the court-appointed Special Master, Mr. James Stockard, who was asked to review the DC agency and make recommendations. His report of last month recommended the DC agency

be placed in receivership.

Our final witness is Mr. James G. Banks, a member of the five person Executive Committee and a former Executive Director of the housing authority. Mr. Banks has a long and distinguished career in public service with HUD as Director of the Office of Community Development, and with the District of Columbia government, with the housing authority, the redevelopment authority, United Planning Organization, and as former Mayor Washington's Director of Housing. He is currently involved with the Anacostia/Congress Heights Partnership in far southeast Washington organizing and providing a range of self-help services and training to residents of three public housing developments.

**STATEMENT
BEFORE THE
HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN
AFFAIRS, SUBCOMMITTEE ON HOUSING AND COMMUNITY
DEVELOPMENT**

**WASHINGTON, DC
TUESDAY, MAY 10, 1994**



BY

**JOSEPH SHULDINER
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN
HOUSING**

Mr. Chairman and members of the Committee, I am pleased to appear before you on behalf of the Department of Housing and Urban Development (HUD). Specifically, I would like to explain HUD's partnership with the District of Columbia's Department of Public and Assisted Housing (DPAH), a "troubled" public housing authority in the nation's capital.

Our partnership with DPAH was developed in response to a written request from Mayor Sharon Pratt Kelly to Secretary Henry Cisneros dated April 4, 1994. The Mayor requested for HUD "to consider entering into a unique and innovative partnership with the District -- a partnership that will strategically assess and transform the District's public housing program over the next several years into a model for the entire country." Both the Secretary and I met with the Mayor to explore the ramifications and special arrangements of our cooperative effort, particularly given the immediate urgency of deteriorating housing conditions for residents, the managerial instability of DPAH, and the ongoing class-action litigation wherein a judge of the D.C. Superior Court is considering whether to place DPAH in receivership.

The current partnership does not compromise HUD's ability to seek stricter recourse, should that become necessary in the future. The Department, in keeping with its federal obligations, has requested and obtained the assistance of the Office of the Inspector General to provide an on-site presence at DPAH and to continue investigations into fraud and other criminal activities. In recent weeks five employees of DPAH were charged with accepting bribes in return for providing rent subsidies!

By adopting the partnership route, the Department has opted to work in an immediate and direct fashion on the problems at hand; we recognize that there are no quick fixes here, and that any last resort to measures such as takeover or receivership are, more times than not, subject to lengthy legal challenges during which time public housing conditions worsen for residents. HUD's past inaction to intervene with DPAH doesn't predispose the Department to reject applying a voluntary remedy at our immediate disposal that might neutralize an increasingly adversarial climate among parties who ultimately need to cooperate.

In 1979, HUD implemented a targeted initiative for identifying and addressing certain of the major problems of troubled public housing authorities (PHAs). Since the compilation of the original list, DPAH has remained on it. The Department implemented in 1992 the Public Housing Management Assessment Program (PHMAP) to comprehensively assess the status of a PHA's operations.

PHMAP contains 12 indicators that are key aspects of a PHA's operations. PHMAP is used by the Department to measure housing authority performance. DPAH, unfortunately, continues to perform and score poorly on PHMAP. The agency's overall PHMAP score has steadily declined from 37.39 points out of a possible 100 in FY 1991 to a score of less than 20 points for FY 1994. Indicative of this failure are the following: an approximate 20% vacancy rate (HUD's standard is 3%); over seven months to renovate and re-rent an average vacancy; tenant accounts receivable of more than 300%; and unobligated modernization funds of \$151 million, if we include FY 94 Comprehensive Grant funds. With specific regard to Modernization funds allocated to DPAH, let me emphasize that these unexpended funds have not been disbursed to the D.C. Government. Instead, these funds have been reserved and set aside on behalf of DPAH. Only after DPAH obligates and prepares to expend the funds would the Department release these funds with the requisite documentation to DPAH.

Neither DPAH's problems nor those of any specific troubled housing authority can be considered endemic to all housing authorities, or even to other troubled agencies. Each set of circumstances is unique and must be treated individually. For the first time since tracking troubled agencies, HUD will establish and staff an entire Division within the Office of Distressed and Troubled Housing Recovery to perform intervention, to direct technical assistance efforts for reducing the number of troubled PHAs, and to prevent PHAs from becoming troubled. Staff from this Office presently serve as lead members to coordinate HUD's involvement in the DPAH partnership. They meet weekly with DPAH's acting executive director, DPAH principal staff, and the Independent Management team of McHenry/TAG set up to provide technical assistance to DPAH. This office is assisting in the preparation of a 6-month and a 3-year improvement plan expected to be completed by May 16, 1994.

HUD's Office of Distressed and Troubled Housing Recovery will draw upon the resources of other program and regulatory offices within Public and Indian Housing for on-going intervention and support. Moreover, this Office will be augmented by outstationed field staff who, under the Department's reorganization, will be assigned as desk officers for continuity on the intervention and for monitoring technical assistance. In the case of DPAH, we have involved the public housing staff from our D.C. field office to track the status of projects, specific requests, and approval actions pertaining to DPAH.

The framework of the HUD partnership with Mayor Kelly is outlined in a letter of agreement signed by Secretary Cisneros and issued April 14, 1994:

There will be an Executive Committee made up of five persons with [Mayor Kelly] as Chairperson and [myself] as Vice-Chairperson, together with Jim Banks, former D.C. Housing Director, Ms. Anne Clarke, president of the City-wide Residents Association, and Frank Smith, D.C. City Council Housing Committee Chair. All decisions of this Executive Committee will require the mutual consent of both Mayor Kelly and the HUD Assistant Secretary.

I have attached to my testimony a copy of the Secretary's letter and the Mayor's initial request. Since our agreement, HUD employees have been assigned to provide direct technical assistance to DPAH staff on location. In three specific operations - DPAH's modernization, housing maintenance, and the Section 8 program - our involvement since the partnership began has been almost daily. Our efforts have been to assess operational needs and bring about stabilization.

HUD's financial management staff have also begun the process with DPAH's Comptroller and City finance officials to obtain segregation of federal public housing funds, to execute a depository agreement for this purpose, and to set priorities for bringing about internal checks and balances in the management of DPAH's finances and collections. HUD modernization staff have provided technical training for about 40 DPAH employees in the first session, and provided in a separate session training for approximately 80 property managers and resident leaders on the Comp Grant program. Our Office of Resident Initiatives has been meeting directly with residents in advancing opportunities under the STEP-UP program for training and employing residents in the building trades, particularly in activities connected with the rehabilitation of D.C. public housing.

HUD staff from both our field office and headquarters are involved in these important activities. We shall continue this involvement until the independent management team under the partnership agreement can become fully operational. Certain HUD staff will have an on-going role as I participate on behalf of the Department in the Executive Committee during the next twelve months.

Given the unique circumstance of the federal presence in the nation's capital, HUD is exploring interagency assistance with regard to D.C. public housing. We will support some of the currently unmet needs of residents for help with crime prevention

and security, along with educational and youth development. I believe that our cooperative efforts with DPAH are an important first step in improving services to residents in this city.

Mr. Chairman, that completes my statement. I will be happy to answer any questions you and the members of the Committee may have.



THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20004

SHARON PRATT KELLY
MAYOR

April 4, 1994

Honorable Henry G. Cisneros
Secretary
Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington D.C. 20410

Dear Secretary Cisneros:

As you know, local public housing programs in the District and the nation have suffered tremendous setbacks over the past decade due, in part, to a past lack of federal support and interest in making affordable housing opportunities for low and moderate income persons, a national priority. Many local officials who have struggled to improve public housing during this time period have learned valuable lessons over the years, despite the absence of a federal partner in this process. We have learned, for example, that low and moderate income persons must be integrated into the community; that providing a safe and secure housing environment is an essential component of any housing program; that vital services for the elderly, handicapped and young need to be linked inextricably with public housing initiatives; and, that empowered tenants create stronger, more viable communities. Regrettably, as these lessons were being learned, a wave of drugs, crime and violence has swept this country during the last decade, wreaking havoc upon public housing developments, in particular, and challenging the difficult task already facing tenants, housing administrators, advocates and local-elected leaders.

I know that you strongly support affordable housing opportunities for the homeless as well as for low and moderate income persons. I am particularly heartened that federal housing officials, under your leadership and vision, now agree with what many of us at the local level have long known: that many federal regulations, though well intended, actually stifle progress and program efficiency. As you also know, the District is at a crossroads with its public housing program. The sad truth is that the public housing program in the District has never worked efficiently -- just as it has not worked and is not working in a number of other cities. Clearly, current circumstances and past practices dictate that we all rethink the traditional concept of public housing in the District and find new partners and new ways of working together to renew these neighborhoods. Given this need, I am inviting the Department of Housing and Urban Development (HUD) to consider entering into a unique

Letter to Henry G. Cisneros
 April 4, 1994
 Page Two

and innovative partnership with the District -- a partnership that will strategically assess and transform the District's public housing program over the next several years into a model for the entire country. I am aware of HUD's current strategic planning process as it pertains to public housing, and believe that, with HUD's active participation, our program could serve as a "host laboratory," for new public housing ideas and test programs.

My proposal is to create an interim public housing Executive Committee to facilitate progress in certain defined, problem areas of our public housing program and help implement the various initiatives that will no doubt emerge from this partnership. The Committee would have both District and HUD representation as well as expertise from the private property management industry. Most importantly, the Committee should also have active input and participation from our tenant organization. If appropriately configured, this entity could serve as a sounding board for many of the ideas and programs that emerge from a partnership between HUD and the District. Moreover, the Committee would provide essential oversight and direction to the agency as it implements these programs and initiatives.

Since my tenure as Mayor, I have made it a point to organize similar taskforces and Advisory Boards and found them of immense value to the District's policymakers. As I envision it however, this board has a special mission which, in my opinion, requires a greater level of involvement in the direction and operations of the agency. I would hope that HUD will not only serve on the Committee, but make available to the District, HUD personnel with skills and knowledge in the specific areas that need the most attention. At the outset, I would propose that in order for the Committee to be as effective as possible, it should focus its attention on the following issues:

- Identifying management and technical opportunities to reduce the number of vacant units;
- Providing technical assistance and expertise in property maintenance and management;
- Identifying an organizational structure for the Department of Public and Assisted Housing (DPAH) and assisting in agency reorganization;
- Expediting site demolition needs, including Fort Dupont and Ellen Wilson Dwellings;
- Recruiting an "executive team" for DPAH;
- Streamlining HUD procurement and contracting processes for DPAH;

Letter to Henry G. Cisneros
April 4, 1994
Page Three

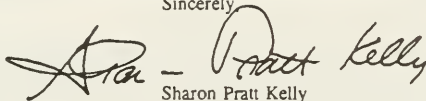
- Restructuring and facilitating DPAH's modernization program, particularly as it pertains to such sites as Kenilworth/Parkside, Eastgate and Valley Green;
- Identifying and putting into place viable security mechanisms and programs for communities most ravaged by crime and violence, including Hopkins Plaza;
- Assessing privatization opportunities as they relate to property management; and,
- Providing technical assistance which addresses Management Information Systems and automation needs.

The City Administrator and others in my Administration have provided the Assistant Secretary for Public and Indian Housing and others on your staff an overview of this concept. I hope that you will agree that a joint effort to solve the public housing dilemma in the District and elsewhere has excellent potential for long-term positive change in public housing.

Frankly, I am excited about working more closely with HUD as a partner, and, as you have said in the past, seeing HUD serve close with local officials "as an enabler of change." I pledge to commit to this process all of the resources and goodwill of my office; cooperation from other District agencies; and the determination to work cooperatively and aggressively to implement any initiatives emanating from the Committee. I will also reaffirm my commitment to continue to remove bureaucratic impediments to DPAH's progress.

I would greatly appreciate the opportunity to meet with you to discuss these ideas more extensively. I am available to do so this week if your calendar permits. I look forward to the continuation of a positive partnership between HUD and the District of Columbia.

Sincerely

 Sharon Pratt Kelly

cc: Joseph Shuldiner
Terry Duvernay
Kevin Marchman
Gloria Cousar



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

The Honorable Sharon Pratt Kelly
Office of the Mayor for the
District of Columbia
Washington, D.C. 20004

Dear Mayor Kelly:

Thank you for your letter dated April 4 and for meeting with me and Joe Shuldiner on April 5, as well as, your telephone conversation last night. We both agree that the long-standing management problems faced by the Department of Public and Assisted Housing (DPAH) cannot continue. As the recent investigation and arrests of DPAH Section 8 personnel attest, our joint involvement is essential.

It is recognized that DPAH's problems have developed over the years and are deeply rooted. The low-rent character of the projects have not been maintained in an efficient and economic manner as required by Section 202 and Section 209 of the ACC.

You asked that HUD participate in a partnership in which an Executive Committee will be created to facilitate progress in the Department. The purpose of this partnership is not only to correct the problems of the DPAH, but to make it a model process for turning around public housing management in a troubled, big city housing agency. I am happy to have HUD participate, and the entire Clinton Administration supports this effort.

We have agreed to the following:

1. There will be an Executive Committee made up of five persons with yourself as Chairperson, Joseph Shuldiner, HUD Assistant Secretary for Public and Indian Housing, as Vice-Chairperson, with Jim Banks, Former D.C. Housing Director, Ms. Anne Clarke, President of the City-wide Residents Association, and Frank Smith, D.C. City Council Housing Committee Chair. All decisions of this Executive Committee will require the mutual consent of both you and the HUD Assistant Secretary.

This Executive Committee will serve a multiplicity of functions from oversight of the DPAH and its daily functions to long term planning. It also can serve as the potential first step towards a more traditional Housing Authority with a Board of Commissioners. During this interim period, this Committee will function as DPAH's consolidated decision making body through your exercise of the Executive Authority vested

in you as Mayor of the District of Columbia, in the areas including, but not limited to, procurement, contracting and personnel. Moreover, DPAH's executive director and the newly created independent management team as described herein will both report directly to the Executive Committee.

2. There will be an independent management team for operational improvement and performance evaluation. This team will be comprised of professional experts in Public Housing and assume specific functions as defined by the Executive Committee. This independent team will report to the Executive Committee.
3. The first task of the Executive Committee shall be to set priorities, both short and long term:
 - a) On or before May 16, the Executive Committee shall receive a six month plan of actions from DPAH, the independent management team and HUD that can realistically be accomplished. This list will include a timetable for production of a detailed three year operational plan. This plan will spell out the process and goals for improving all aspects of DPAH's operations, and, will outline options to prioritize or administer DPAH functions, through third parties where it is shown to be cost effective.
 - b) In the long term, the focus of the Executive Committee will broadly embrace what can and must be reasonably accomplished within this three year critical timeframe. These priorities must involve:
 - (i) Compilation of needs assessments, design work, and blueprints, cost-estimating, engineering surveys, and other relevant materials.
 - (ii) Unclogging the modernization pipeline, and expediting the startup of the Urban Revitalization Program for Ellen Wilson Apartments.
 - (iii) Expediting HUD-approved demolition and forwarding City-approved demolition/disposition requests for HUD review.
 - (iv) Concluding the Kenilworth renovation and consummating its conversion and/or disposition.

- (v) Establishing a single auditable format on an automated system for management reporting and fiscal accounting.
 - (vi) Overhauling the inadequate maintenance systems and project management operations.
 - (vii) Preparing and forwarding a funding application to HUD for funding under the recent Vacancy Reduction Assessment Program.
4. Contemporaneous with the preparation of the three year plan, HUD will provide technical assistance for assessing opportunities within DPAH's operations for privatization and, where appropriate, to facilitate the procurement of qualified private contractors. In addition HUD will supply further technical assistance in the areas including, but not limited to accounting and bookkeeping, automatic management reporting and maintenance system improvements.
 5. HUD and the Mayor's Office will work to ensure DPAH's delivery of 300 public housing units per year for placement and occupancy by the homeless, along with on-site locations for strategic outreach and prevention. In addition, requisite social services and a continuum of care linked to this inventory will be provided from HUD funding that is already included as part of the D.C. Homeless Initiative.
 6. It is necessary that the work of the Executive Committee in administering DPAH is supported with a budget to cover costs for administrative and secretarial support, accounting and bookkeeping, and a contract for technical teams to assist on multiple needs. Examples of these multiple needs are: housing management and data systems assessments, modernization/ construction cost-estimating, surveying and engineering, establishing project priorities, resident surveys, needs assessments, and occupancy census. Funding for the Executive Committee's budget should be derived from existing sources for management improvement, capital expenses, and other allowable functions as part of the current Comprehensive Grant, CIAP, or operating subsidy to DPAH.
 7. The funds of DPAH must be segregated from those District revenues. Toward that end, you will reinstate a HUD approved Depositary Agreement with a Federally insured bank as required by the Agency's Annual

Contributions Contract. We are enclosing a sample format for this purpose.

8. HUD commits to an effort to change the face and character of the public housing community in Washington, D.C. To further this effort, HUD will coordinate a major federal effort that will include participation from various other Federal agencies such as HUD, Labor, Education, Small Business Administration, Justice, and Treasury.
9. HUD will work with the Mayor's office to identify and employ senior staff for DPAH.

I appreciate you taking the initiative as Mayor to propose a more effective relationship between the City and HUD. This tragic misuse of federal and local funding in the District to address homelessness and to restore decent, safe, and sanitary conditions for public housing must not be tolerated another day. There are ample financial resources at DPAH's disposal to make this partnership succeed.

I will be happy to meet with you and personally commit to ensuring the success of this initiative.

Sincerely,


Henry G. Cisneros

Enclosure

Statement of
Susan Gaffney, Inspector General
Department of Housing and Urban Development

Before the Subcommittee on Housing and Community Development
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives

May 10, 1994

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss HUD's Public Housing Programs and some specifics about the programs being administered in the District of Columbia.

For the past several years, the Office of Inspector General has devoted a great deal of our audit and investigative resources reviewing various aspects of the Public Housing Programs. We are pleased to report that the overwhelming majority of Public Housing Agencies (PHAs) and their dedicated employees manage their programs well, and provide decent, safe, and sanitary housing to low-income families in their jurisdictions.

There are, however, some major management problems at many PHAs. These problems are long-standing and pervasive and make the Public Housing Programs one of HUD's most significant problem areas. Over the past decade, our internal and external audits have identified a pattern of serious operating and management problems at many large urban PHAs. Those reports have disclosed that, while living conditions are deteriorating, expenditures go unchecked; rents are not collected; and cash management and control practices are virtually nonexistent.

Our most recent comprehensive review of PHAs was completed in September 1993 and forms the basis for most of our comments today. Our report summarized the results of individual audits conducted over a 2-year period at 11 large troubled PHAs. The report also commented on HUD's monitoring efforts and recommended procedural and legislative changes. The 11 PHAs reviewed were:

*New Haven, CT	*Newark, NJ
*Philadelphia, PA	*Washington, DC
*Jacksonville, FL	*Cleveland, OH
*Kansas City, MO	*Birmingham, AL
*Toledo, OH	*San Francisco, CA
*Los Angeles, CA	

Mr. Chairman, to be responsive to your request for information, I would like to summarize the most significant sections of our September 1993 summary report and point out, specifically, how the Department of Public and Assisted Housing (DPAH) in the District of Columbia relates to other PHAs. Our report on DPAH was issued in September 1992 and covered activities from January 1988 through August 1992. While our information may be somewhat dated, we believe that the conditions cited still exist for the most part today. Perhaps your other witnesses this morning can bring you more up to date on current conditions at DPAH. In any event, our summary report contained three findings that I will now summarize for you.

1. Some Large Public Housing Agencies Continue to Experience Serious Management Problems and Extensive Financial and Social Distress.

The report noted that, although all of the 23 large troubled PHAs were experiencing significant operating problems, the 16 PHAs located in metropolitan areas were particularly confronted with serious conditions, impeding the effective administration of the Public Housing Programs. Our review included 10 of those 16 PHAs.

Large metropolitan area PHAs, in particular, have severely distressed housing developments that are located in high-density, distressed neighborhoods. The cost of addressing the capital improvement needs of these developments has been estimated at several billion dollars.

Our report highlighted significant continuing problems in ensuring effective management of their overall operations, such as:

- * Increased vacancies
- * Lack of preventive maintenance programs
- * Reduced rental collections
- * Substandard living conditions
- * Wasteful and inefficient procurement practices
- * Lack of Board oversight and accountability
- * Patronage abuses
- * Frequent turnover in management

The report summarized problems and cited specific examples in six functional areas, as follows.

Financial Management

Audits showed that a lack of sound financial management and cost controls caused the PHAs to experience deteriorating financial conditions. Some adverse trends noted were:

- HUD operating subsidies are increasing at a faster rate than operating receipts, indicating that the PHAs are becoming more dependent on Federal operating subsidy; and
- Administrative expenses are increasing at a faster rate than maintenance expenses, indicating that less money is being directed at repairing the housing stock.

Our audit report on DPAH discussed several specific areas of financial and administrative mismanagement. Finding 8 cites a very basic lack of management control and accountability. DPAH had not obtained annual audits for the past 3 years or adequately addressed prior findings generated by audits. As a result, many significant control weaknesses went unchecked for years, and no one was held accountable for correcting the problems. Finding 4 discussed several areas of administrative mismanagement. DPAH had over twice as many administrative employees as needed based on HUD guidelines; significantly delayed the use of HUD funding for renovations with over \$69 million of Comprehensive Improvement Assistance Program funding not obligated or unspent at September 1992; did not adequately monitor staff time reporting and overtime charges; paid duplicative costs for administrative type services; and did not adequately inventory or control computer equipment.

Housing Quality Standards

Dwelling unit inspections showed that residents were living in units that did not meet HUD's minimum Housing Quality Standards. While the severity of the violations varied widely from easily corrected to major repairs, numerous situations were noted where residents were living in units that threatened their health and safety.

Ten of the 11 PHAs audited did not implement effective preventive maintenance programs, inspect all dwelling units annually, or correct deficient conditions after inspection.

At DPAH, our staff inspected 86 housing units and found that 61, or 70 percent, did not meet HUD's Housing Quality Standards. Public housing units averaged 9 violations per failed unit, while Section 8 units averaged 7 violations

per failed unit. Causes cited for the violations were tenant abuse, normal wear and tear, and inefficient maintenance staff.

Vacancies

The 11 audited PHAs had one-sixth (15,563) of their total units vacant. Seven of the 11 audited PHAs had vacancy rates exceeding 10 percent of their inventory during 1992.

Under current rules, there is little incentive to deal aggressively with vacant units because PHAs receive HUD funds, even when units are vacant.

At DPAH, the vacancy rate has consistently remained at about 18 percent over the years, despite several attempts to significantly improve the vacancy situation. At September 1992, there were 2,062 units vacant with about 12,000 families on the public housing waiting lists.

During our audit period, emergency type measures were taken in attempting to rehabilitate vacant units. Finding 10 of our DPAH report was critical of the PHA's performance under this vacancy reduction program. Specifically, DPAH: 1) included identical rehabilitation specifications in all proposals, even though rehabilitation needs varied greatly between contracts, 2) established rehabilitation cost estimate ranges that were too broad to be useful, 3) awarded 8 of the 40 contracts to the only bidder at amounts far exceeding DPAH's highest cost estimate, and 4) did not test the units for lead based paint prior to doing the rehabilitation work.

Maintenance

PHA maintenance efforts in the audited PHAs were generally inadequate and untimely compared to HUD and PHA standards.

Finding 3 in our DPAH report concluded that maintenance performance and costs were unacceptable. The PHA's maintenance staff was generally unproductive and overstaffed. Based on guidelines established by HUD for comparable sized PHAs, the PHA's maintenance staff of 463 was excessive by at least 168 employees, at a cost of about \$2.4 million annually. Most of the repairs to vacant units were accomplished by contractors causing a duplication of costs. For painting, heating, and ventilation items alone, we estimated over \$1 million was wasted in FY 1991. Despite the overstaffing and the duplication of contractor costs, units remained vacant far too long, averaging about 1,000 days. As a result, we estimated DPAH lost potential rental income of about \$4.8 million in FY 1991.

In a related matter, Finding 2 in our DPAH report discussed gross mismanagement and inefficiency in DPAH's administration of its warehouse

inventory. DPAH lacked fundamental controls to manage its inventory efficiently. DPAH had no way to identify if millions of dollars of inventory purchases were needed, or were depleted through disposition to project sites, obsolescence, or theft. Essentially, the warehouse functioned as a storage facility for DPAH's accumulation of slow moving and aged materials, rather than an organized warehouse for routinely needed equipment and supplies.

For example, the report pointed out that DPAH had over 11,500 ceiling light fixtures on hand, which, based on the past use of such fixtures, represented a 100-year supply.

Rent Collections

Several audited PHAs experienced difficulty with collecting rent from current and former residents. Lengthy eviction proceedings, in some cases, made rent collections difficult.

Audits showed large outstanding delinquent rent balances at 5 of the 11 audited PHAs. The 5 PHAs had delinquent rent totaling \$17 million, but \$12 million had been written off as uncollectible, while delinquencies continued.

Our DPAH audit showed that, although the National Association of Housing and Redevelopment Officials sets an industry standard for Tenants Accounts Receivable at no more than 10 percent of monthly tenant charges, DPAH's were 453 percent of tenant charges and totalled over \$8.4 million at March 1992. Of this amount, \$149,000 was owed by DPAH employees, and \$375,000 was owed by District of Columbia employees. In addition to the large outstanding balances, DPAH had written off over \$8 million since 1989 in uncollectible rents.

Procurement

PHAs did not always follow prescribed procurement policies. As a result, PHAs cannot always assure that the best prices were obtained for purchases of goods and services. Intentional circumvention of HUD and PHA requirements, inadequate planning, and poor controls over purchasing and contracting were evident at many PHAs.

Finding 1 of our DPAH audit dealt with wasteful and inefficient procurement and contracting practices. Proper controls were nonexistent. The lack of controls allowed numerous abuses to occur. From our review of 26 DPAH contracts, we identified about \$150,000 of ineligible costs and \$990,000 of questionable costs paid with HUD funds. Significant noncompliance was also evident in procurement activities paid with District funds. More specifically, DPAH allowed a variety of staff and Departments to engage contractors rather than having a centralized control point; had contractors perform work that should have been done in-house;

paid for contracted work that was not performed; and procured routine contract work as emergency work to avoid competitive bidding requirements.

We closed our first finding by concluding that over the years, HUD has attempted to modify a 1937 temporary housing and rental property program for working low-income families. Today, the public housing programs need to meet the changing social needs of the residents including necessary resident support services, day-care, elderly and handicap needs, drugs, crime, and security.

In our opinion, a multi-level strategy together with a the staff resources to carry out the strategy is needed by the Department to correct the material weaknesses in the program. Simply providing more funding and rewarding inefficiency will not prevent future waste and abuses.

We recommended that Assistant Secretary Shuldiner:

- Implement a coordinated strategy to address long-standing problems of poor performing PHAs;
- Revise regulations so that HUD does not pay operating subsidy on long-term vacant units that have no plans for renovation or occupancy.
- Provide technical assistance to troubled PHAs, and promote information sharing on common problem areas and assistance from good performing PHAs.
- Develop strategies and incentives to encourage PHAs to implement sound preventive maintenance programs and timely repairs.
- Develop new strategies for holding Executive Directors and top level PHA managers accountable for sound fiscal management decisions.

The Assistant Secretary generally agreed with our recommendations and has already initiated several actions to address these issues. For example, PIH instituted several efforts in response to the Housing and Community Development Act of 1992, but each effort faces significant challenges. An Office of Distressed and Troubled Housing Recovery was established but has been slow to staff up. PIH initiated a procurement action for an independent assessment of troubled PHAs and set aside about \$50 million for future technical assistance to those PHAs. However, the funding and timing of these efforts appear problematic, at this time, in providing immediate assistance to the troubled PHAs.

2. An Assessment of HUD's Monitoring of Troubled PHAs.

This section of the report commented on HUD's ability to measure and modify, when necessary, PHA performance. Overall, we concluded that HUD monitoring has not produced a positive impact on the inadequate operating and financial conditions at large troubled PHAs.

While HUD has continuously revised its strategies and procedures, its methods have not produced the desired outcomes. The end result of the many changes in monitoring methods is that HUD knows more about the conditions at troubled PHAs, but has had little success or impact on changing those conditions. One reason is that HUD managers most often did not take a hard line with nonresponsive PHAs. Only recently were aggressive sanctions, such as contract breach and takeover, considered as a HUD management option.

Other recent Departmental strategies to improve troubled PHAs include:

- HUD established a new Office of Severely Distressed and Troubled Housing Recovery to address problems confronting troubled PHAs.
- HUD contracted with Price Waterhouse to evaluate HUD's oversight of PHAs and develop a technique for improved oversight of all public housing. Based on their recommendations, HUD has adopted a risk management approach to PHA oversight and is revising the Public Housing Management Assessment Program (PHMAP). The PHMAP is a rating system that provides a guide for HUD staff, identifying high risk PHAs and allocating appropriate human resources to the job. In addition, a pilot program was begun in the Chicago Region to reorganize the public housing staff into functional specialists to address the most pressing identified needs.

While we believe these steps are a good start, HUD still needs to more aggressively pursue nonperformance and hold local officials more accountable for their Public Housing Programs. However, given past experience and HUD's statutory requirements to give PHAs maximum responsibility for carrying out the programs, it can be argued that even the most intense efforts by HUD will not significantly improve PHA performance. Rather, structural changes to the programs may provide the best alternative for more economical and efficient operations.

In this regard, our report contained five specific suggestions for consideration including:

--Smaller PHAs--available data show a direct correlation between the size of PHAs and their need for subsidies. Such data indicate that economies of scale do not work in this program, and suggest that large PHAs might be better served by breaking them up into more manageable entities.

--Reducing regulations--current regulations tend to stifle the flexibility needed to address the major problems facing large troubled PHAs. A comprehensive evaluation of regulations is needed, with a view towards simplifying the various Public Housing programs.

--Oversight by State and local governments--several past studies have concluded that HUD should rely on the current abilities of State and local governments to monitor the Public Housing Programs.

--Alternative form of subsidy or housing--numerous past studies have suggested alternatives to the current operating subsidy and these suggestions deserve a new look.

--Alternative forms of management--HUD should aggressively seek other forms of management including privatizing management, maintenance and administrative functions.

We recommended that Assistant Secretary Shuldiner develop proposals to modify or refine the Public Housing Programs that will address the special concerns of large troubled PHAs, and establish an emergency response team to deal with troubled PHAs when takeovers occur. With respect to the recommendations Mr. Shuldiner and his staff are working on several fronts. For example, task forces including HUD employees, PHA officials and employees and tenant councils are analyzing programs with a view towards streamlining and consolidating programs and written regulations or requirements.

3. New and Innovative Changes are Needed in the Public Housing Program to Accommodate the Problems Facing Large Troubled PHAs.

Many PHAs have remained on HUD's troubled lists for over 10 years. This prolonged status is indeed related to poor management practices as discussed earlier. However, those same PHAs are confronted with a patchwork quilt of Federal laws and regulations that also significantly affect their abilities to improve operations. This section of our report summarized various reports and studies conducted by housing groups and commissions, academics, public housing officials, and consultants that also identified various administrative, regulatory, and statutory requirements which are barriers to effective management. These requirements are especially problematic for large urban PHAs.

Specifically, some HUD regulations related to rent, funding, admissions, and replacement housing can impede PHAs and should be modified or radically changed. Since our report was issued, several steps have been taken to address at least portions of the following issues. Most of these initiatives are in the planning or legislative stages and their effectiveness cannot be assessed yet. For example:

Rent Issues

Allowing PHAs some flexibility in setting rents could generate additional revenue for operations. Some PHAs cannot reduce their need for Federal operating subsidy because of current rent limitations and preferences.

Unlike private housing, public housing rents are not pegged to operating costs. During 1992, the cost of operating a dwelling unit at a large troubled PHA was \$3,648, while Federal operating subsidy was \$2,434. Overall Federal operating subsidies have grown from \$6.5 million in 1969 to \$2.6 billion in 1994. In general, PHAs cannot close the cash flow gap because their options and abilities to operate like a market rate project are severely limited.

In their 1994 legislative package, HUD included proposals that would provide more flexible rent setting provisions as a means of encouraging mixed income developments.

Funding

Several issues surround HUD's current funding of PHAs, including the funding levels, income streams, nonshelter services, and funding and budgeting sources.

First, the adequacy of funding is the subject of great debate. A 1990 HUD study estimated that the backlog of modernization repairs for all PHAs would cost between \$13 billion and \$22 billion. However, substantial amounts of previous modernization funding is still in the pipeline. Thus, many critics ask, "How can PHAs handle additional modernization when they have nearly \$11 billion of current and past appropriations unobligated?"

Second, HUD regulations often provide disincentives to PHAs to maximize rent collection or develop new and innovative ways of raising revenue. If a PHA commits resources to aggressive rent collection, it is in effect penalized by the current subsidy system. HUD data show a trend of increased collection losses at large troubled PHAs. The trend indicates that it may be easier for the PHA not to bother with rent collection, but yet get the maximum amount of operating subsidy. Collection losses for 1987 to 1992 were \$63.5 million.

Third, large troubled PHAs have encountered increased demand for nonshelter services, such as police protection, child-care, job training, and nutritional services. Because HUD's subsidy may not include a sufficient allowance for nonshelter services, large troubled PHAs are directing financial resources away from maintenance and other routine expenses toward security and tenant services.

Fourth, PHAs confront the current myriad of programs, all with their own regulations that make budgeting, grant management, and accounting a bureaucratic nightmare. Consolidation and simplification are needed to provide PHAs with greater control and flexibility over their own destinies.

HUD's Office of Policy Development and Research plans to begin an evaluation of the Performance Funding System in the near future. In addition, HUD's 1994 legislative proposals included sections that would help speed the use of development and modernization funding and provide more flexibility in the use of modernization funds to rehabilitate and replace undesirable units.

Admissions

Allowing PHAs more control over admission policies could improve living conditions, increase rent collections, and decrease maintenance costs. It is argued that years of Federal regulation of admission policies have limited PHAs' ability to effectively screen out disruptive families with the resultant consequences of poor rental collections, high maintenance costs, and serious crime problems.

A HUD sponsored task force is currently reviewing all the regulations concerning Admissions policies and will recommend changes in the near future.

Mr. Chairman, many challenges lie ahead in improving Public Housing Programs, especially at large urban agencies. I am sure you are fully conversant with the numerous legislative proposals that the Department has forwarded to Congress to deal with many of the problems we discussed today. We look forward to the debate surrounding the proposals, and stand ready to assist in any way we can.

Mr. Chairman, that concludes my remarks, and I would be pleased to answer any questions you may have.

TESTIMONY OF JAMES G. STOCKARD, JR.
 Court Appointed Special Master for the
 Department of Public and Assisted Housing
 District of Columbia

Before the
 Subcommittee on Housing and Community Development
 of the Committee on Banking, Finance and Urban Affairs
 of the U.S. House of Representatives

Thank you very much for inviting me to share some of my observations about the Department of Public and Assisted Housing (DPAH) of the District of Columbia, and my thoughts about the revitalization of troubled public housing authorities. I have spent the past 20 years consulting with housing authorities which have ranged from excellent to very troubled in their performance. I have also been privileged to serve on the board of commissioners for the authority in my home town (Cambridge, Massachusetts) for the past 20 years as it has moved from the verge of receivership to one of the finest public housing agencies (PHAs) in the nation. And I have spent several days a week monitoring the performance of DPAH for the past year. Over the course of all these activities I have had the opportunity to learn from some of the very best professionals in this field. From this background, let me offer some comments on the main questions before you today.

Are the problems encountered by DPAH common to other public housing authorities? Yes. I have seen all the problems which plague DPAH at other agencies. What is unusual about DPAH is the breadth and depth of problems. Rarely have I seen an agency that does as many things as poorly as DPAH. For example, DPAH has had a 20% vacancy rate for many years. That is not the worst vacancy rate among large urban housing authorities. Several are significantly more troubled in this area than DPAH. But the District's agency is also very poor at collecting the rent. Over 4000 of the 9000 families in residence are delinquent in their rent. These delinquencies average eight months. Virtually none of the families have rental repayment agreements. There may be authorities which perform worse in this area, but they are probably not the same ones that also have such elevated vacancy rates. At the same time, DPAH is walking very close to the brink financially. In theory, it has a 15% operating reserve (HUD standard is 30% for troubled agencies), but even this inadequate level is overstated. In fact, most of the nominal reserves are accounts receivable from long-delinquent residents or those no longer in residence. HUD estimates the true reserves only 4%. One moderate crisis, such as the explosion of insurance rates of several years ago, or a natural disaster creating the need for unusual maintenance expenditures, could wipe out this reserve and place the authority in a virtual state of bankruptcy. Again, there are certainly other PHAs which are in similar financial straits, but probably not the same ones that also have such vacancy and rent collection problems.

This list goes on and on. I refer you to my Initial and Final reports to Judge Steffen Graae for more details. Suffice it to say that as of March of this year, DPAH has the lowest score on HUD's Public Housing Management Assessment Program (PHMAP) of any large agency in the nation. This program measures the performance of housing authorities in 22

important functional areas. The maximum score is 100. Any agency scoring less than 60 is placed on the Troubled Housing Authority list. DPAH's latest score is 25.60. For comparison purposes, Chicago's most recent score is 47.82, New Orleans' 43.81, Cleveland's 59.66, and Detroit's 37.35. Of the 18 categories in which DPAH was scored (since they are doing no new development they were not rated on those four categories), the agency received an F on 14. Clearly, DPAH is failing to serve the needs of its residents and applicants in more ways than most, if not all, of its peer agencies. The nature of the failures in each area is quite similar to the problems that other large agencies face. An observer can learn about the difficulties in each area by examining the DPAH's performance in that area, and apply the learning to other agencies. But DPAH's failures extend to nearly every part of its activity. This makes it unusually difficult to design and implement a revitalization strategy.

Are there unique situations in the District of Columbia which distinguish it from other housing authorities? Again, the answer is yes. I believe there are two situations of which it is worth taking note. First is the breadth of the problems. Reformers face a particularly difficult set of choices when faced with such a wide range of problems. One of the hardest is how to choose priorities for the work effort. With so many problems, there are always a large number of brushfires to be extinguished. But structuring the overall revitalization effort requires all the energy and money. Fighting the brushfires is seductively rewarding, but ultimately doomed to fail.

If you imagine a house in very dilapidated condition which is, nonetheless, very important to save, you will have a good idea of the difficulty an administrator of a troubled housing authority faces. The window panes are broken and letting in cold air, and your tenants are complaining. The neighbors want you to paint the exterior so it will look better on the street. The city's code compliance office wants you to fix the railing on the front porch. The state wants you to build a ramp to make your units more accessible. Your insurance agency is worried about the leak in the roof. The utility company wants you to switch your lightbulbs to a more energy efficient model. And your lender wants you to test for underground storage tanks since they might effect the value of the property. On the other hand, you know you must begin your work by repairing the foundation, which is in danger of collapsing and bring the entire house with it. Without that, all the other work will be meaningless. Yet none of the other parties will be impressed with your work on the foundation. To the outside observer, no changes will be apparent. Worse, the next task is probably to revise the electrical system that is a substantial fire hazard. It clearly has a higher priority than anything else, but it will be costly, it will take time, and it will not show on the outside. This is very like the problems faced by public housing reformers. The things they must do first are expensive, time consuming, and do not show outward results immediately. But if they are not done, all the other efforts will ultimately be wasted.

In my Initial Report to Judge Graae, I cited a hierarchy of conditions which I believe must be established before a housing authority can begin to actually perform better and sustain that performance. Briefly, they are as follows:

1. Establishing a context of professionalism
2. Retaining a highly qualified executive director

3. Retaining a highly qualified senior and middle level staff
4. Creating effective administrative systems
5. Securing adequate funding
6. Building a strong relationship with residents

This is a true hierarchy. Without the context of professionalism, it will be very hard to recruit a highly qualified executive director, and impossible to keep him or her in the job. Such people will not allow themselves to be compromised by the substitution of political or personal agenda for the best possible professional conduct. Without a good executive director, it will be difficult to recruit other good staff. And so on. The reason that developing a good relationship with residents is last on the list rather than first, is that it is difficult to build such a relationship unless many of the other elements are in place. A good relationship with residents is based on trust in the agency's ability to deliver decent, safe and sanitary housing. Without these elements, that will not be possible, residents will continue to face broken promises, trust will not be built and the relationship will not be strong or longlasting.

Clearly, it takes time to bring these conditions into existence. While this is occurring, there seems to be little or no "progress". But if this time is not invested, accomplishments that do occur will be shortlived. DPAH provides a good example. In the fall of 1992 the agency began a major push to repair vacancies through the strategy of contracting with small companies to refurbish the units. Over the course of nine months, the agency spent over \$13 million dollars in this fashion and repaired nearly 1000 units. However, because the authority developed no system to occupy those units carefully, maintain them efficiently, collect the rent, and secure the property, many of them have become vacant again within a year. The vacancy rate of the agency is higher now than it was before the effort began. Had the agency invested the same amount of time and money in retaining good staff, building systems to keep newly occupied units occupied, and establishing itself as a professional agency uncompromised by other agenda, it would now be in a position to make serious reductions in the vacancy rate and sustain those reductions permanently.

A major problem, therefore, in Washington is that the broad range of issues tempts each new round of administrators to move on many fronts at once, rather than focus on a few key matters that will build the necessary foundation for permanent change. Compounding the problem is a large number of actors, each demanding immediate solutions to the particular problems about which they care the most. Many of these parties are quite sincere, but the loudness and the number of their voices, makes it particularly difficult to choose a successful path toward revitalization and stick to it. The result in the District of Columbia has been a series of executive directors (13 in the past 16 years), each one of which devised his or her own strategy for reform. But because progress in some area was not fast enough to satisfy one or more of the interested parties, that director was asked to leave or resigned in frustration, only to have another director begin the process all over again.

The second major problems which is unusual in Washington is that DPAH is a department of city government. The vast majority of housing authorities across the nation are separate, independent public agencies with commissioners appointed by the executive and legislative leadership of their city. Only a few large authorities are organized in ways similar to DPAH (Detroit and Baltimore come to mind immediately). While there are arguably some

advantages to this method of organization, the pragmatic experience has rarely been good. Only Baltimore, of the large "departmental" housing authorities has enjoyed a period of sustained good performance. There are at least two reasons for this difficulty.

First, it takes longer to conduct business through two sets of regulations than through one. Since all PHAs are bound to HUD through the Annual Contributions Contract and the pursestrings, they have no choice about living with HUD rules and procedures. But when an agency is a department of city government, it must abide by an entire other set of regulations promulgated by the city. Typically, the worst areas of entanglement are personnel, finance and contracting. In each of these areas, matters must be processed twice, thereby slowing down the implementation of important activities. At DPAH, personnel actions take two to three months longer than they might if the agency were independent. Requests for job advertisements are sent by DPAH to the city's Office of Personnel. This centralized office, which conducts personnel functions for the entire city government, prioritizes the DPAH request with all others and places the ads when it can. Resumes are accepted at the city. The central personnel office then reviews and ranks the applications and sends the top five candidates to DPAH's personnel office. DPAH may choose any of these candidates, but if none of them are satisfactory, it must send the five back with reasons for the rejections and request additional files. Once they have selected someone, the information is given back to the central office of personnel and the paperwork is completed to make the person an employee. Many of these steps would be avoided and time would be saved if DPAH were empowered to make its own rankings and finalize its own paperwork. Similar stories can be told about the contracting process and the budgeting and finance area. This type of duplicative organizational structure simply uses up too much time that needs to be applied more directly to the work of providing and maintaining good public housing. This is particularly true when the housing authority in question is troubled.

In addition to the inefficiency of working through two bureaucracies, there is also the issue of multiple agendas. The work of a public housing authority is very complex. It is particularly difficult to perform well without very clear and focussed goals. When additional objectives, worthy or otherwise, are introduced, they make it much harder to get the job done. Another example from the DPAH case will illustrate this point. During the fall of 1993, the city conducted a major reduction in force (RIF) in order to reduce its expenditures. This was, by all accounts, a sound professional decision which had to be undertaken. It was obviously very difficult for people who lost their jobs as well as those who had to make the decisions. At the next point that DPAH needed to fill some property manager jobs, the authority sent its request to the city's Office of Personnel which, in turn, advertised the job, received resumes, ranked the finalists, and sent five names to DPAH. Each of the forwarded names was a person who had lost their job in the RIF. None were qualified for a property manager's job. DPAH had to request new files until they got to candidates who were qualified for these very important and complex jobs as site managers. There are no villains in this story. The authority wanted the best qualified property managers. The City's Office of Personnel was trying to place people who had recently lost jobs through no fault of their own. But if the authority had allowed the "re-employment" agenda to supercede its own "best qualified" agenda, the residents of public housing would have suffered. It is particularly important for those administering a troubled housing authority to have this narrow focus on what will

improve the agency's performance. There is no financial, or strategic room for any other agendas.

It may be worth noting for the committee that while these special difficulties make revitalizing DPAH more difficult than in many other cases, the District's public housing program has one major advantage that should make this task easier here than in many other locations. That is the housing stock. Unlike so many other of the most troubled housing authorities, DPAH has almost no elevated structures in which families live, and it has none of the huge 1000+ unit developments that are virtually impossible to manage. Many of the neighborhoods in which public housing developments are located are relatively positive places, rather than the totally devastated areas that make redevelopment virtually impossible in other large cities. I believe that DPAH is capable of being turned around much more quickly than any of the other most troubled large city housing authorities of which I have knowledge.

Is Receivership a better option for DPAH than creating an independent authority with commissioners appointed by the mayor or contracting out the work of the agency to a private company? Once again, sadly this time, the answer is yes. As I indicated in my Initial and Final reports to Judge Graae, receivership is a last choice of methods for reforming a housing authority. The greatest problem with receivership is it allows the city to turn its back on the authority while it is in the court's hands. If the city takes this course, it will fail to learn how to create, work with and support a housing authority of which a community can be proud. Such a reaction is somewhat predictable, since the legal procedure that creates receiverships has typically caused the city to be involved in a protracted legal fight which it has lost. However, the everyday lives of thousands of residents cannot be sacrificed to a theory of administrative organization. If all efforts to produce a well functioning, independent housing authority have failed, I believe it is necessary to wrench the authority out of its current state and go to work with a single-minded determination to revitalize it. As that process proceeds, it is important to find ways to build the city back into the life of the authority, so that it can learn how to work with and protect the agency when it returns to a more normal organizational status.

The other solutions suggested above are inappropriate in the Washington context for several reasons. First, the patterns and habits of the last 15 years are too powerful to escape. This means that continuing to have any mayor function as the appointing authority for DPAH sends too many wrong signals about the commitment of all parties to change this agency for the better. In order for the residents, HUD, the courts, professional peers, potential recruits for the staff and the citizens of the District to believe that change is coming, some dramatic changes in the governance of the agency are important. The timing of my recommendation is, in large part, coincidental. Under similar conditions five years ago, this same recommendation would probably have been the right choice. DPAH has, after all, been on the Troubled Housing Authority list for fifteen years. It was actually the first housing authority in the nation to be placed on that list in January of 1979.

As to the notion of privatizing the management of DPAH, there are no examples of such a scheme substantially and permanently improving the conditions for residents at any

authority of which I am aware. Such procedures have been attempted in New Orleans, East St. Louis, and Chester, Pennsylvania. None have worked particularly well, and certainly none have been sustained. In part this is because the political superstructure has been left in place. This means that all the old allegiances and habits remained intact. Such patterns are hard to break. If they have been responsible for some of the failures of the authority, they will continue to undermine the work of the outside companies. Many people will feel certain they can outwait the private companies, and then go back to business as usual. They usually can, because the outside contractor is simply doing a job, albeit one to which they bring their best professional energy. They must make a profit (another one of those multiple agendas that sometimes make narrow focus difficult), and they have no roots or commitment to the community in which they are working. There is often a good deal to be gained by contracting with private companies to undertake certain tasks within the overall mission of a housing authority. But these arrangements only work where the agency has the capacity to define the task clearly, set appropriate goals, decide on reasonable performance measures, monitor reports effectively, and evaluate the work of the contractor regularly. Many trouble authorities (DPAH for a prime example) do not have those capacities. Without such strengths, and the resultant ability to be a good contract monitor, the management of the agency is not likely to improve, even with capable outside contractors.

On the positive side of the argument for receivership are several important points. First, the chain of command becomes very simple. There is a receiver/administrator with very broad authority to reshape the agency. He or she is essentially both Board and Executive Director, empowered to act decisively for change. The receiver reports only to the appointing judge, rather than a frequently divided board of directors, or a political figure who typically has unrealistically short timeframes for the progress they want to see. The judge has no other agenda than improvement of the agency. He or she (at least in the District of Columbia) does not need to run for reelection, or keep a business functioning. Second, the receiver has authority to cut through the red tape and other bureaucratic entanglements in order to make the agency more efficient and effective without the time-consuming and focus-diverting legislative process. Third, there is an extra layer of protection from outside interference provided by the court and the legal arena in general. Fourth, the inherent stability created by a receivership for a defined period of time allows the receiver to recruit from among the most distinguished and dedicated professionals in the field, both locally and across the nation. In a receivership context, these people know they will be given an unfettered chance to do the work to which they are committed. Last, the receiver knows that he or she will not be in this role forever, and can take some of the difficult initiatives that would be hard for a person seeking to hold this job over the long term.

Members of the committee may be interested in what the Congress can do to facilitate the revitalization of troubled housing authorities, both in Washington, D.C. and elsewhere. I have several suggestions - some of which you have heard before, and some of which may be new.

1. Provide the necessary leadership in setting high standards for professionalism, and reasonable expectations and timetables for reform at the local level. Members of Congress can use their credibility in the cities of their districts to push for highly qualified staff, effective

systems and efficient spending of public funds. They can also lend a voice of reason to the strategizing regarding revitalization -- helping to set responsible goals and standards.

2. Encourage HUD to reduce the regulatory burden under which local housing authorities operate. As is clear with troubled housing authorities and the well publicized cases of fraud, the mountain of regulations do not ensure that public housing will be well run. On the other hand, the regulations do require countless hours of time spent in activities that do not really benefit public housing residents. While it is clear that some authorities may abuse this freedom, the vast majority will operate appropriately and many will develop new forms of creativity that will provide better homes for the residents they serve.

3. Fund HUD adequately to allow it to form a truly effective capacity to respond to those authorities that cannot operate effectively. The complementary policy to the granting of greater freedom must be the determination to act more swiftly and boldly when the freedom is abused. The current staffing of HUD at both the central and regional levels does not really allow it to step in quickly and strongly and deal with authorities that have shown they cannot serve their residents and applicants well. First, PHAs should not be allowed to reach the depths of malfunctioning to which DPAH and other troubled agencies have sunk. And when they have, they need long-term, full-time staff members to help with the turnaround. Revitalization takes three to seven years. Continuity is critical throughout that period. If HUD is going to respond, it will need to be able to deploy three to ten senior and middle level professionals who can make long term commitments to the authority in question. These people should be local where possible, but inevitably some of them will be from other cities requiring relocation expenses. Most can be paid with the PHA's budget, but some will require funds beyond those available locally. Without the flexibility and funding to create a system of this type, it is unfair to expect HUD to intervene effectively in the downward spiral of a local housing authority.

4. Require cities to support their PHAs and create some sanctions when they don't. In the vast majority of cases where there are strong housing authorities, they have positive and supportive relationships with their cities. Where the worst agencies exist, it is almost always the case that the city does not understand the importance of a strong, independent, and highly professional housing authority or work to support one. In many of those cases, various city officials tend to view the public housing program as a source of jobs, contracts, and favors for constituents, rather than as a housing program. When this occurs, it makes sense to hold the city accountable. It is important to devise sanctions that do not further hurt the most fragile residents of the city. For example, it does not make sense to reduce Community Development Block Grant funds when housing authorities fail, but withholding other forms of federal assistance might encourage local communities to give appropriate priority to freeing their PHA to perform well and supporting it in doing so.

5. Modify the one-for-one replacement requirements to allow authorities to use Section 8 leases and vouchers for interim replacement units while providing the clout necessary to help PHAs find the sites necessary for the development of new permanent units over time. A small number of large, ugly, deteriorated and virtually empty developments are giving the

public housing program a very bad name and image. In many cases, the only sensible thing to do with these developments is tear them down. But in many cases that action is stymied because the possibility of one for one replacement is dim. And as long as those few devastated developments stand, the likelihood of local politicians and neighborhoods welcoming a new public housing complex, no matter how different it may be, is even dimmer. What needs to happen is the demolition of the development, the immediate granting to the authority of enough Section 8 units that the number of units available to low income residents in the community is not reduced, and support for new development by the authority. The new development might start on the site of the demolished complex, thus demonstrating what "new public housing" looks like. Then the full weight of Congress and HUD needs to be behind the local authority as it seeks to purchase the number of small sites it will need to replace the large development in a more diverse set of neighborhoods. NIMBYism is extremely difficult for PHAs to overcome, and the strength of the Congress and HUD is important in allowing development to occur.

6. Finally, it is time to consider a major restructuring of the public housing program in this country. The concept of housing several hundred low-income families all in one location in housing that often looks very different from that which surrounds it is long outdated. Several states and private developers across the country have clearly proven that complexes serving a diverse set of families with a wide range of incomes are viable, less expensive to subsidize and more supportive of the growth and development of children and families. The Congress should consider expanding the mission of the public housing program. PHAs should be required to continue giving their highest priority to providing decent, safe and sanitary housing for people of low and moderate incomes. And they should be required to use strategies that will maintain, and even increase, the number of low income units they now provide. But they should be freed to use any form of housing they want to accomplish this goal. Some developments might stay just as they are. The PHA might buy a private apartment building, and slowly change its population so that 30% of the residents are low income. At the same time, the agency might open some of its apartments in appropriate developments to market rate families whose rental payment would reduce the need for subsidy at that development. The authority might buy some condominium units. It might start a first time homeowners program with a set of single family homes it sells to "graduating" public housing residents, allows them to build up some equity, and then buys back after the family is ready to move on so that it can sell them to another public housing family. The strategies would vary with the agency, the local housing stock, and the needs of the low and moderate income families in the community. The mandate of the 1949 Housing Act is, after all, a "decent, safe, and sanitary home", not a "decent, safe, and sanitary home, but only among other people of modest means". It is time to take action to minimize the stigmatizing and marginalizing of poor people that exists when those citizens are forced to live in identifiable and isolated complexes. Surely we are at our best as a society when we create communities of diversity and connectedness. If we move our public housing program in this direction, we will have many fewer of the problems which we are discussing here today.

STATEMENT
OF
JAMES G. BANKS
DESIGNATED MEMBER
TEMPORARY EXECUTIVE COMMITTEE
D.C. DEPARTMENT OF PUBLIC HOUSING

BEFORE
U.S. HOUSE OF REPRESENTATIVES
SUB-COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
OF THE
COMMITTEE ON BANKING AND URBAN AFFAIRS

May 10, 1994

Mr. Chairman, members of the Committee, I am James G. Banks, a native and resident of the District of Columbia. I retired from service with the Federal Government in 1974 after thirty years of service. I began that service as an apprentice machinist at the Washington Navy Yard, where I worked until the end of World War II in 1945. I left that position to become a tenant selection interviewer at the National Capital Housing Authority. After serving five years as interviewer, and ultimately supervisor of tenant selection at NCHA, I accepted the position of Relocation Director at the D.C. Redevelopment Land Agency where I was responsible for the relocation of twenty five thousand residents and fourteen hundred businesses. In 1961, under the Kennedy Administration, I was appointed Assistant Commissioner of the Urban Renewal Administration of the Housing and Home Finance Agency. I left the position in 1964 to establish the Ford Foundation's Gray Area Program and the Poverty Program in the Washington Metropolitan Area. In 1967 I returned to HUD as Director of the Office of Community Development.

After the change in administration in 1969 I returned to the District of Columbia as Assistant to the Mayor, Walter E. Washington, for Housing Programs, an assignment which ultimately included the Directorship of the National Capital Housing Authority.

At the time, NCHA was experiencing its first tenant rent strike. Nearly one third of the approximately 10,000 tenants were withholding their rents each month.

My mission as the Executive Director of the NCHA was to bring the strike to an end, develop a strategy to reduce vacancies and bring occupied dwellings to an improved state of repair.

I knew then, as I know now, that to be successful in bringing improvements to public housing, you must have the support and active participation of residents. Simultaneously, I scheduled interviews with all residents whose rent was in arrears, organized residents to volunteer their labor in painting both the interiors and exteriors of some developments, and negotiated a contract with the D.C. Department of Corrections to recruit from among its inmates, those who had experience in carpentry, electricity and plumbing to help with the repair of vacant units.

Residents whose rents were in arrears were urged to sign agreements to pay delinquencies in small increments over a period of time. Residents at seven developments agreed and did help paint the exteriors and interiors of their dwellings. Prisoners from Lorton, by their very presence, helped rid an apartment building at Lincoln Heights of illegal occupants selling drugs. They also installed new plumbing and electrical systems, repaired or replaced plaster and kitchen cabinets and returned all dwellings in the building to code standards.

By 1974, when I retired, ninety percent of the tenants were current in rent payments. Through the active support of residents and the fine work done under the contract with the D.C. Department of Corrections, the number of vacancies was reduced to

something less than ten percent of the total public housing supply -- not ideal, but clearly a marked improvement.

During my tenure, as it had for many years, the NCHA continued to administer its personnel and fiscal affairs separate from those of the D.C. Government. Budgets were prepared for each property by the managers, reviewed by central staff, and the final version, when approved, was the budget guide required to be followed by each manager. Budget changes were permitted only after the submission of proper justification and increases permitted only when funds to meet the increase were immediately available.

Regular monthly meetings with all property managers and all supervisory staff were held. The status of each property was reviewed, problems identified, and alternative solutions discussed. Final agreements on plans to resolve problems became a part of the meeting records and follow up reports given at subsequent meetings.

Property managers controlled every function related to their properties except tenant selection. Even there, they interviewed families referred by the central tenant selection office. If a problem was discovered, managers were permitted to return the application for reconsideration.

Maintenance was supervised at the property level except for specialties which required infrequently used, but highly skilled, personnel.

Maintenance tools and materials were maintained at each property in accordance with an estimate of projected need. Most

purchases were made at the central office on the basis of requests to meet projected needs from each property. A purchase order system to meet emergency needs at the property levels was in effect.

Each completed maintenance work order identified materials used from the inventory. Materials used were regularly checked against inventory to guard against misuse.

Each property was assigned a crew of skilled maintenance workers, carpenters, plumbers, heat specialists, electricians and laborers. The chief of maintenance at the property level reported to the property manager.

Since my experience pre-dated home rule, there was absolutely no political involvement in the hiring and firing of personnel during my tenure.

As I recall, the NCHA had a total of about 600 employees during my tenure. At the central office were the budget and fiscal personnel, the legal staff, a management supervisory staff which included maintenance coordination and human resource personnel. Nearly ninety percent of all staff were in field assignments.

My clear recollection is that each manager was responsible for rent collection at his or her property and appeared as plaintiff in the landlord/tenant court when legal action was required.

My understanding is that many functions, including maintenance and rent collection are now centralized in the DPAH

and the role of property manager is significantly reduced from that of twenty years ago.

The staff of the NCHA under my directorship included many who had worked at the agency since beginning their careers. There was a high level of competence at every level. The problems which began to increase in the 1960's included a marked increase in vandalism and lower levels of tenant maintenance. When you are in the midst of trying to cope with the day to day aspects of a job it is often difficult to simultaneously assess the causes of changes. In retrospect, it now appears probable that the increasing numbers of single parent families and the absence of adult males in families began at the time of the increase in vandalism and declined resident maintenance.

As I view the condition of the D.C. Department of Public Housing today, I offer the following observations:

To avoid adding to the already untenable vacancy problem, an efficient procedure to refurbish dwellings as they are vacated must be given high priority. Until staff is found or trained to perform this work it should be contracted out to a carefully selected private contractor willing to train and employ some residents to perform this work.

Unspent funds for modernization requires a carefully crafted strategy which properly considers the special design required for maximum accountability by individual residents, minimizing costs and maximizing employment of residents and neighbors. Resident participation in developing those strategies is essential.

Where it is not possible to redesign development schedules for modernization to reduce common entrances and spaces for residents to the very minimum, consideration should be given to demolition and rebuilding. The overriding objective of modernization and any new construction proposed, in addition to the improvement of living space, should be to minimize common space where clear resident responsibility cannot be assigned. This, of course, applies to family housing, not housing for the elderly and handicapped.

I am convinced that the unspent funds for modernization and the failed efforts to return two thousand vacancies to occupancy are directly related to the inability of the DPAH to proceed as an independent agency. I hasten to add that during the past twelve years or more, the DPAH has had difficulty in attracting the most highly qualified personnel at every level of its needs. Therefore, the question of the independence of the public housing program must be considered as a part of a broader plan to redefine the role of the program, recruit new executive leadership and gradually retrain or replace the personnel responsible for this critical community function.

The redefinition of the role of public housing is critical. In recent years there has been a tendency to use public housing as "housing of last resort." Its image in this city is that it is a place where "those people" live. This image, and its current use, perpetuates and magnifies the tragic problems of its residents. We must define public housing as an opportunity for residents to shed the scabs of brutal life and to join other

American citizens in their struggle for improved economic, social and cultural conditions. They must become regular participants in the nation's and the city's struggle for stable growth. Public housing must again be seen as places where opportunities for the growth and development of its residents are created and supported.

While I agree that it is absolutely essential that we address the fiscal and physical deterioration of the public housing program, it is imperative that we consider this problem in a broader context.

Most public housing in Washington is clustered in six areas of the City. Most of the privately owned subsidized housing is also in those six areas. According to studies prepared by the George Washington University Institute for Urban and Regional Planning those six areas produced most of the city's crime, out of wedlock births, school dropouts and unemployment. Most of the housing is produced or operated with some federal or local financial assistance.

The bottom line is that through federal and local public policies and programs we have clustered in large numbers families with the most intense social, economic and physical needs and thus created an environment of dependency isolated from the City's vital economic, cultural and social structure.

My experience as chairperson of the Anacostia/Congress Heights Partnership over the past three years leads me to conclude that it is possible to help poor and troubled people to bond together in effective communities and that the strength of

those newly formed communities can mean a dramatic increase in the number of successful efforts to eliminate problems some of us have considered unsolvable.

I am encouraged to have found that community building is not an expensive process.

The key to community building is the recognition that, though often unexpressed, most residents, even of the most beleaguered communities, have some interest in community improvement and will volunteer to make it happen. Mobilizing that interest into action-motivated grouping and networking requires leadership, vision and patience. Potential leaders may be found in all public housing communities.

Since it opened its doors in March 1990, the Anacostia/Congress Heights Partnership has participated in the formation or promulgation of nearly one hundred groups intended to bring neighbors together doing for and with each other. They include programs for children, adolescents, both males and females, the unemployed, and those in need of health care.

The community building program which the Anacostia/Congress Heights Partnership initiated nearly two years ago was based on the assumption that residents really wanted to communicate with each other, but were not confident they would be well received. Thus, in the early stages of the community building program, small groups of residents met to discuss issues where disagreement was nearly impossible, such as the improved care of neighborhood children. Indeed, the first tangible manifestations of the emergence of community, were the children's centers, first

at the Sheridan Terrace public housing development, then at the adjacent Macedonia Church, then to Bethlehem Baptist Church, then the Woodland Terrace public housing development, and another now planned to be reestablished at Congress Park housing development.

Out of these expressions of community interest and commitment have emerged a new and comprehensive range of community effort, each bringing residents together to share concerns and aspirations and each resulting in a plan for action with more and more community members sharing responsibility for implementing those plans.

The Southeast Ministry, which began more than two years ago as an effort to restore recreation to its former role as a means of helping to mold both the bodies and characters of young people is well on the way to achieving that objective and more. Regular competition in softball, touch football and basketball has been available for the last two years. Participating youth must demonstrate not only a willingness but also an effort to stay in school. The special problems of teenage mothers and mothers-to-be will soon be addressed by another program of the Southeast Ministry. The Southeast Ministry has, in a very short period of time, become an independent operation, raising its own funds and pursuing its special mission. More than one thousand children in the area are served by this program.

In a word, more people are doing "something" and doing something in concert with others. The introduction of conflict resolution sessions, sensitivity training sessions, and indeed all meetings under the banner of the Partnership, offer

residents, including children, an opportunity to deal with one another humanely, respecting individual differences and increasing the trust levels that residents have for each other.

Growing numbers of residents are now participating in one or more community activities. The social environment to participate is now very inviting. Community building activities offer residents for the first time in many years, the opportunity to generate agreement on values and standards which are vital to them and the stability of their community and its residents.

The increased use of playgrounds and public spaces, the return of smiles to the faces of children, the return of chit chat among neighbors are all signs that a new community is being formed and that people have begun to feel more safe with each other.

Interestingly, as this process has advanced, one force above all others has been the primary source of energy: VOLUNTEERS. Volunteers by the hundreds, both from within and outside the community have been chiefly responsible for the rapid changes.

Among community volunteers are athletic coaches, child care center workers, sewing class teachers, tutors, and the list goes on. The number of volunteers from the community must be ten times today what it was in 1990.

Volunteers from outside of the Anacostia community come from the suburbs and other parts of the City. They help plant trees, paint dwellings and community facilities, train young mothers as parents, and solicit materials and equipment for use in the community.

Based on my experience and observations, I offer the following recommendations:

First, we must come to realize that there is no force, including government, which can bring relief to our chronic urban poor without the recruitment of the energies, creativity, and good will of the people they seek to help. Those being helped must find in the provider of assistance a strong affirmation that they who need help are normal and worthwhile. We must eliminate those policies and procedures which imply, directly or indirectly, that those we seek to help are either ignorant, inept, unhealthy, unimportant, of no value, or, at worst, that they do not exist.

Second, we must develop strategies to help, not direct, residents in affected neighborhoods to take steps toward joining one another in developing plans to overcome the forces which have entrapped them in the bonds of dependency.

Third. All programs, policies and procedures affecting the lives of those living in areas of denied opportunity must have as their basis, an articulated commitment to the promotion of growth and attainment of highest potential of the residents served. Old thinking must be discarded. The individual and his or her neighborhood must no longer be viewed simply in terms of basic survival. Barriers to growth and development -- both at the individual and community levels -- must be identified and removed. This will require intensive one-to-one relationships between the individual, the family and the helper at the outset. At the same time, it is critical that efforts be made to bring

the community and its institutions together to support the efforts toward independence taken by individuals and families.

Fourth. Service-based responses that help the individual and/or the family shed its dependence must be comprehensive and holistic, free from categorical restrictions. Flexibility, not rigidity, must be a hallmark of program design. Public policy and programs must encourage community-based initiatives and enterprises that move the community forward in its path toward greater self-sufficiency. Initiatives in neighborhood-based and housing project-based settings must be pursued. These might include therapeutic child care cooperatives, food cooperatives, neighborhood service enterprises, and many others.

Fifth. Intake must be decentralized. Neighborhood resource centers through which public and private agencies, neighborhood institutions and individuals coordinate their help to the community have the advantage of familiarity with families and their needs and the ability to access other community resources. Neighbors and neighborhoods are far more accepting of their own.

Sixth. Home-based case management that involves intensive one-to-one work with the individual and family must occur in tandem with efforts to rebuild community-wide relationships and institutions. Recipient families and individuals must be linked with community institutions and leaders to begin the creation of support systems. The continued improvement of individuals and families helped by case management requires the development of neighborhood support systems.

Seventh. We must release the energies and talents of male residents. Males play a paradoxical role in the lives of clustered, poor neighborhoods. While their presence often "dominates" the streets and their homes, the programs and policies that support their families make them unimportant in the day-to-day life of the community. The "no-role" status generates anger and despondency. Years of broken promises have left many so suspicious as to seem unapproachable. Males must be consciously included in all of the above recommendations.

Eighth. The de-concentration of poor families is of highest priority. The negative forces created by disproportionate numbers of families with multiple and severe social, physical, economic problems living clustered in large numbers overwhelm any private and/or public program aimed at positive change. De-concentration must, of necessity, be a long-term objective. Acting in haste without a well-conceived and inclusive plan may well cause more trauma and hardship than families now endure.

Ninth. We must embrace and set in motion a National urban policy that fosters human growth and development. Problems that plague inner-city neighborhoods and conditions that hinder human growth and development must be confronted and addressed with the same vigor and purpose that this country applies in meeting its challenges abroad. Barriers to the development of full potential must be overcome. These include poverty, unemployment, ineffective drug and alcohol abuse prevention and treatment programs, low educational achievement, unsafe neighborhoods and homes, deficient health care -- and the list goes on. Removing

these obstacles must remain high on the national agenda until substantial improvement is achieved.

Tenth: Finally: a healthy community, as part of a major urban center, must develop and nurture working relationships with all major area-wide resources required for the community's stability and growth. No urban community is an island. Its social, economic and cultural vitality is closely related to that of the city and region. During the community building process, it is imperative that community members initiate city- and region-wide relationships and development plans to sustain them.

Some time ago, the New York Times ran a three-part series entitled, "The Missing Agenda: Poverty and Policy." The lead in the last of the three articles proclaimed:

Wanted: An American Anti-Poverty Policy. Strategy must offer reasonable prospect for ending cycles of dependency and despair that disfigure urban America. Long hours and serious commitment needed. Costs may be high. Costs of doing nothing may be higher.

And, it might be added...wanted: a strategy that looks at people in their neighborhoods in a way that identifies their strengths, values their potentials, recognizes their capabilities for growth, independence, and renewal, and rewards success.

A viable community must include regular opportunities for residents to meet in unified interests, general agreement on values and accepted patterns of behavior, a regular means of recognizing those neighbors who make outstanding achievement, significant participation in the economy of the community through

entrepreneurial participation and strong bonds between residents and neighborhood institutions.

If the public housing program in the District of Columbia embraces a community building strategy such as has been demonstrated in Anacostia for each of the City's areas of "denied opportunity," the problems which are the subject of this hearing can be solved. Violence, drugs, broken families and tragic killings can be sharply reduced. Funds associated with these problems can be freed for more positive efforts.

40 Largest Public Housing Authorities

Troubled Status

Public Housing Authority	Number of Units	PHMAP Score	Troubled Status T = Troubled NT= Not Troubled
New York City	155,017	93.02	NT
Puerto Rico	57,800	53.00	T
Chicago	40,119	47.82	T
Philadelphia	22,766	25.68	T
Baltimore	17,993	71.62	NT
Atlanta	14,722	55.45	T
New Orleans	13,414	47.74	T
Boston	12,750	70.94	NT
Cleveland	12,068	59.66	T
District of Columbia	11,786	25.60	T
Dade County	11,260	73.78	NT
Newark	10,814	70.88	NT
Pittsburg	9,344	60.96	NT
Los Angeles	8,750	79.72	NT
Detroit	8,744	37.35	T
San Antonio	8,230	91.14	NT
Cincinnati	7,618	61.38	NT
Dallas	7,343	92.79	NT
Memphis	7,089	56.13	T
Birmingham	6,811	82.14	NT
Minneapolis	6,785	71.30	NT
St. Louis	6,769	70.12	NT
Seattle	6,667	85.03	NT
San Francisco	6,486	69.45	NT
Nashville	6,429	96.88	NT
El Paso	6,268	81.02	NT

Public Housing Authority	Number of Units	PHMAP Score	Troubled Status T = Troubled NT = Not Troubled
Louisville	5,971	93.18	NT
Columbus	5,445	67.62	NT
Hawaii	5,263	60.33	NT
Akron	5,126	78.86	NT
Buffalo	5,047	63.15	NT
Virgin Islands	4,428	70.15	NT
St. Paul	4,343	97.27	NT
Tampa	4,936	72.26	NT
Milwaukee	4,749	86.69	NT
Dayton	4,524	67.62	NT
Richmond	4,461	94.74	NT
Norfolk	4,457	93.18	NT
Mobile	4,125	91.43	NT
Denver	4,081	91.71	NT

**TESTIMONY OF
MERRICK T. MALONE
ASSISTANT CITY ADMINISTRATOR
FOR ECONOMIC DEVELOPMENT**

ON BEHALF OF MAYOR SHARON PRATT KELLY

**AT THE HEARING ON THE
D.C. DEPARTMENT OF PUBLIC AND ASSISTED HOUSING**

RAYBURN HOUSING OFFICE BUILDING

TUESDAY, MAY 10, 1994

AT 9:30 A.M.

GOOD MORNING, CHAIRMAN GONZALEZ AND OTHER MEMBERS OF THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT. I AM MERRICK T. MALONE, ESQUIRE, ASSISTANT CITY ADMINISTRATOR FOR ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA. I AM PLEASED TO BE HERE TODAY TO REPRESENT MAYOR SHARON PRATT KELLY AND TO DISCUSS THE CITY'S DEPARTMENT OF PUBLIC AND ASSISTED HOUSING (DPAH). WE ARE EXCITED ABOUT THE NEW PARTNERSHIP WE HAVE RECENTLY ENTERED INTO WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). WE BELIEVE THAT THIS INNOVATIVE, PROACTIVE APPROACH TO RESOLVING THE LONGSTANDING PROBLEMS AND CHALLENGES ASSOCIATED WITH PUBLIC HOUSING, WILL PROVIDE OUR RESIDENTS WITH SERVICE AND VIABLE COMMUNITIES.

BEFORE I DISCUSS THE PARTNERSHIP, LET ME TELL YOU WHY WE ENTERED INTO IT. IT IS NO SECRET THAT DPAH AND HAS BEEN A TROUBLED PUBLIC HOUSING AGENCY. IT HAS BEEN THE SUBJECT OF NUMEROUS AUDITS, ASSESSMENTS, EVALUATIONS, REPORTS OF BLUE RIBBON PANELS, AND SENSATIONAL MEDIA COVERAGE. IT HAS BEEN ON HUD'S TROUBLED HOUSING AUTHORITY LIST SINCE

ITS INCEPTION IN 1979. LIKE OTHER DISTRESSED PHA'S, DPAH HAS A HIGH VACANCY RATE, A HIGH NUMBER OF DELINQUENT ACCOUNTS, TAKES A LONG TIME TO REPAIR ITS VACANT UNITS, HAS A LARGE NUMBER OF OUTSTANDING WORK ORDERS, AND HAS FAILED TO OBLIGATE ITS MODERNIZATION FUNDS IN A TIMELY MANNER. NONE OF THIS IS NEW. BUT THE PROBLEMS OF DPAH ARE SIMILAR TO THOSE OF OTHER LARGE, DISTRESSED PHA'S, PARTICULARLY THOSE SET IN URBAN AREAS THROUGHOUT THE COUNTRY -- BOSTON, ATLANTA, NEW ORLEANS, DETROIT, KANSAS CITY, AND ST. LOUIS, TO NAME A FEW.

PUBLIC HOUSING PROGRAMS IN THE DISTRICT AND THE NATION HAVE SUFFERED TREMENDOUS SETBACKS OVER THE PAST DECADE DUE, IN PART, TO A PAST LACK OF FEDERAL SUPPORT AND INTEREST IN MAKING AFFORDABLE HOUSING OPPORTUNITIES FOR LOW AND MODERATE INCOME PERSONS A NATIONAL PRIORITY. LOCAL OFFICIALS HAVE STRUGGLED TO IMPROVE PUBLIC HOUSING DURING THIS TIME PERIOD AND HAVE LEARNED VALUABLE LESSONS IN THE PROCESS. WE HAVE LEARNED, FOR EXAMPLE, THAT LOW AND MODERATE INCOME PERSONS MUST BE INTEGRATED INTO THE COMMUNITY; THAT THERE MUST BE A CONTINUUM

OF CARE, TAKING A PERSON FROM HOMELESSNESS TO HOMEOWNERSHIP; THAT PROVIDING A SAFE AND SECURE HOUSING ENVIRONMENT IS AN ESSENTIAL COMPONENT OF ANY HOUSING PROGRAM; THAT VITAL SERVICES FOR THE ELDERLY, HANDICAPPED AND YOUNG NEED TO BE LINKED INEXTRICABLY WITH PUBLIC HOUSING INITIATIVES; AND THAT EMPOWERED TENANTS CREATE STRONGER, MORE VIABLE COMMUNITIES.

REGRETTABLY, AS THESE LESSONS WERE BEING LEARNED. A WAVE OF DRUGS, CRIME AND VIOLENCE HAS SWEEPED THIS COUNTRY DURING THE LAST DECADE, WREAKING HAVOC UPON PUBLIC HOUSING DEVELOPMENTS IN PARTICULAR, AND CHALLENGING THE DIFFICULT TASK ALREADY FACING TENANTS, HOUSING ADMINISTRATORS, ADVOCATES AND LOCALLY ELECTED OFFICIALS. ALSO DURING THIS PERIOD, WE DID NOT HAVE A FEDERAL PARTNER AND STRUGGLED WITH FEDERAL REGULATIONS, THOUGH WELL INTENDED, THAT STIFLED PROGRESS AND PROGRAM EFFICIENCY.

FORTUNATELY, WE NOW HAVE A STRONG MAYOR WILLING TO TAKE BOLD, NEW INITIATIVES AND A SECRETARY OF HUD, WHO AS A FORMER MAYOR, STRUGGLED TO PROVIDE SAFE, DECENT AND AFFORDABLE HOUSING FOR ALL CITIZENS.

SECRETARY HENRY CISNEROS HAS HAD FIRST HAND KNOWLEDGE AND EXPERIENCE WITH THE CHALLENGES OF PUBLIC HOUSING. HE IS THE FIRST SECRETARY OF HUD WHO WAS A MAYOR. RATHER THAN CONTINUE THE OLD "GOTCHA" MENTALITY OF PREVIOUS HUD ADMINISTRATIONS, SECRETARY CISNEROS IS GENUINELY COMMITTED TO WORKING WITH LOCAL OFFICIALS TO PROVIDE HOUSING AND ASSOCIATED SOCIAL SERVICES AND ECONOMIC EMPOWERMENT ASSISTANCE TO RESIDENTS. HE ENVISIONS PUBLIC HOUSING AS AN INTEGRAL, VITAL COMPONENT OF COMMUNITIES. HE UNDERSTANDS THAT PUBLIC HOUSING WILL NOT WORK, UNLESS IT IS A STRONG, STABLE MEMBER OF THE COMMUNITY. HE UNDERSTANDS, LIKE MAYOR KELLY, THAT CURRENT CIRCUMSTANCES AND PAST PRACTICES DICTATE THAT WE MUST RETHINK THE TRADITIONAL CONCEPT OF PUBLIC HOUSING AND FIND NEW PARTNERS AND DEVELOP NEW PARTNERSHIPS WITH THE PRIVATE SECTOR, SOCIAL SERVICE AGENCIES, AND MOST IMPORTANTLY, THE RESIDENTS OF PUBLIC HOUSING.

THAT IS WHY SECRETARY CISNEROS AND MAYOR KELLY ENTERED INTO THIS INNOVATIVE, PROACTIVE PARTNERSHIP. WHILE THE KELLY ADMINISTRATION HAS PUT CONSIDERABLE TIME, EFFORT AND RESOURCES INTO IMPROVING DPAH, WE

HAVE NOT HAD THE RESULTS WE WANT AND ARE DETERMINED TO ACHIEVE. WE STARTED MOVING POLICE OFFICERS INTO SOME OF OUR DEVELOPMENTS AND OUR OPERATION REBOUND PROGRAM HAS DRAMATICALLY IMPROVED SECURITY AND THE QUALITY OF LIFE AT SUCH DEVELOPMENTS AS POTOMAC GARDENS.

IT HAS NOT BEEN ENOUGH, BUT WE HAVE LEARNED. WE NOW KNOW THAT IF WE WANT DEFINITE, SUBSTANTIAL IMPROVEMENT IN PUBLIC HOUSING, WE MUST ESTABLISH A PARTNERSHIP WITH THE RESIDENTS OF PUBLIC HOUSING, HUD AND THE PRIVATE SECTOR. BOTH HUD AND DPAH AGREE THAT RECEIVERSHIP IS NOT THE ANSWER. IT DOES NOT PROVIDE THE LONG TERM, SUSTAINED IMPROVEMENTS NECESSARY TO EFFECTUATE PERMANENT CHANGE. RECEIVERSHIP DOES NOT BUILD TECHNICAL CAPACITY OR EXPERTISE INTO THE FABRIC OF THE HOUSING AUTHORITY'S ORGANIZATIONAL STRUCTURE. THIS FACT WAS CONFIRMED IN THE INITIAL REPORT OF THE SPECIAL MASTER IN WHICH HE OPPOSED RECEIVERSHIP.

LET ME BRIEFLY DESCRIBE THE PARTNERSHIP. THERE IS A FIVE MEMBER EXECUTIVE COMMITTEE COMPOSED OF MAYOR

KELLY AS THE CHAIRPERSON, AND ASSISTANT SECRETARY SHULDINER AS THE VICE CHAIRPERSON. DECISIONS OF THE BOARD WILL REQUIRE THE MUTUAL CONSENT OF BOTH MAYOR KELLY AND ASSISTANT SECRETARY SHULDINER. ALSO ON THE BOARD WILL BE THE PRESIDENT OF THE CITY-WIDE RESIDENT COUNCIL ADVISORY BOARD MS. ANNE CLARK; CHAIRPERSON OF THE HOUSING COMMITTEE OF THE D.C. CITY COUNCIL MR. FRANK SMITH; AND FORMER D.C. HOUSING DIRECTOR AND HUD CONSULTANT MR. JAMES BANKS.

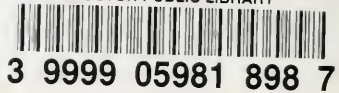
THE COMMITTEE WILL PROVIDE OVERSIGHT OF DPAH, ALONG WITH PROVIDING OVERSIGHT OF ITS DAILY OPERATIONS. IT WILL SERVE AS THE POTENTIAL FIRST STEP TOWARDS THE ESTABLISHMENT OF A MORE TRADITIONAL BOARD OF COMMISSIONERS.

THE EXECUTIVE COMMITTEE WILL HAVE AN ORGANIZATIONAL MEETING ON FRIDAY, MAY 13, 1994, AND ITS FIRST WORKING SESSION ON MONDAY, MAY 16, 1994.

THERE WILL ALSO BE AN INDEPENDENT MANAGEMENT TEAM TO DEVELOP PLANS FOR OPERATIONAL IMPROVEMENTS OF THE AGENCY AND TO EVALUATE PROGRAM PERFORMANCE. THIS MANAGEMENT TEAM IS COMPRISED OF HOUSING PROFESSIONALS, HEADED BY FORMER HUD OFFICIAL CLYDE MCHENRY, AND CONSULTANT AND FORMER HOUSING OFFICIAL JEFF LYONS. THE MANAGEMENT TEAM IS ACTIVELY WORKING WITH HUD AND DPAH. BY MAY 16, 1994, AS DEFINED BY THE AGREEMENT, IT WILL HAVE A SIX MONTH PLAN OF ACTION THAT CAN REALISTICALLY BE ACCOMPLISHED. INCLUDED IN THIS SIX MONTH PLAN OF ACTION WILL BE THE PREPARATION OF A DETAILED, THREE YEAR OPERATIONAL PLAN THAT WILL SPELL OUT THE PROCESS AND GOALS FOR IMPROVING DPAH'S OPERATIONS OVER THAT TIME PERIOD.

THE MANAGEMENT TEAM WILL REPORT DIRECTLY TO THE EXECUTIVE COMMITTEE. IT IS IMPORTANT THAT THE ACTION PLAN DEFINE WHAT CAN REASONABLY BE ACCOMPLISHED IN THIS THREE YEAR TIME FRAME. BUT THERE ARE SEVERAL PROJECTS THAT THE PARTNERSHIP MUST FOCUS ON IMMEDIATELY:

1. MOVING THE MODERNIZATION PIPELINE. AMONG THE PROJECTS TO BE EXPEDITED ARE THE START UP OF THE RENOVATION OF THE ELLEN WILSON DWELLINGS AND THE MODERNIZATION OF EASTGATE GARDENS AND VALLEY GREEN, BOTH IN SOUTHEAST; EXPEDITING HUD APPROVAL OF CITY APPROVED DEMOLITION REQUESTS, PARTICULARLY DEMOLITION OF 204 UNITS AT THE FORT DUPONT DWELLINGS IN SOUTHEAST; AND COMPLETING MODERNIZATION OF THE KENILWORTH-PARKSIDE DEVELOPMENT IN NORTHEAST WASHINGTON AND CONSUMMATING ITS HOMEOWNERSHIP CONVERSION.
2. OVERHAULING DPAH'S MAINTENANCE AND PROJECT MANAGEMENT OPERATIONS. HUD'S REGIONAL OFFICE HAS ALREADY STARTED WORKING WITH US ON THIS EFFORT, EXECUTING A CONTRACT TO EVALUATE AND RECREATE THE MAINTENANCE SYSTEM.
3. ESTABLISHING A SINGLE, AUTOMATED, AUDITABLE FORMAT FOR MANAGEMENT REPORTING AND FISCAL ACCOUNTING.



4. SEGREGATING DPAH FUNDS FROM DISTRICT REVENUES. IN THE AGREEMENT WE HAVE AGREED TO INSTITUTE A HUD APPROVED DEPOSITORY AGREEMENT WITH A FEDERALLY INSURED BANK. WE HAVE ALREADY BEGUN CONVERSATIONS WITH HUD ALONG THIS LINE.

5. BRINGING DIRECTLY TO OUR PUBLIC HOUSING COMMUNITIES MORE OF THE RESOURCES OF THE FEDERAL GOVERNMENT. WE NOW KNOW THAT WE MUST BUILD VITAL, NECESSARY SERVICES FOR THE ELDERLY, DISABLED AND YOUNG INTO THE FABRIC OF OUR PUBLIC HOUSING COMMUNITIES AND THAT WE MUST EMPOWER OUR PUBLIC HOUSING RESIDENTS TO CONTROL AND DETERMINE THEIR OWN DESTINIES.

UNDERSTANDING THAT THERE MUST BE A HOLISTIC APPROACH TO PUBLIC HOUSING, FOR THE FIRST TIME IN ITS HISTORY, HUD HAS AGREED TO COORDINATE A MAJOR FEDERAL EFFORT TO BRING THE RESOURCES OF FEDERAL AGENCIES SUCH AS LABOR, EDUCATION, JUSTICE, TREASURY AND THE SMALL BUSINESS ADMINISTRATION TO OUR PUBLIC HOUSING COMMUNITIES. WITH THESE CONSIDERABLE

RESOURCES, WE WILL BE ABLE TO DO SUCH THINGS AS PROVIDE EDUCATIONAL AND SKILL TRAINING TO OUR RESIDENTS, TO PREPARE THEM FOR JOBS OR WITH THE SKILLS TO START THEIR OWN BUSINESSES, AND TO PROVIDE MUCH NEEDED RESOURCES TO MAKE THESE COMMUNITIES SAFE AND SECURE.

THIS PARTNERSHIP AND THE LEVEL OF FEDERAL COMMITMENT IS UNPRECEDENTED! WE ARE VERY ENTHUSIASTIC ABOUT IT. WE ARE CONVINCED THAT IT WILL WORK. IT HAS THE RESIDENTS OF PUBLIC HOUSING WORKING WITH THE CITY AND HUD. IT WILL CHANGE THE FACE AND CHARACTER OF PUBLIC HOUSING IN THE DISTRICT OF COLUMBIA. IT IS HEALTHIER AND MORE WHOLESOME FOR ALL PARTIES CONCERNED. IT WILL NOT ONLY DRAMATICALLY IMPROVE DPAH'S HOUSING OPERATIONS OVER THE NEXT THREE YEAR PERIOD, IT WILL ALSO CREATE AN ENTITY THAT CAN STAND ON ITS OWN, FUNCTIONING AS AN EFFICIENT AND EFFECTIVE MEMBER OF THE COMMUNITY AT THE END OF THE TRANSITION PERIOD. THE MAYOR AND DPAH ARE WHOLEHEARTEDLY COMMITTED TO MAKING THIS PARTNERSHIP WORK.

I AM NOW AVAILABLE TO ANSWER YOUR QUESTIONS.

